



Annual Report 2021

# Korea's Leading Publicly-Listed REIT

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# Korea's Leading Publicly-Listed REIT

LOTTE REIT was listed on the Korea Exchange in October 2019 and has since positioned itself as Korea's leading REIT. As of the end of 2021, our AUM amounted to KRW 2.3 trillion, the largest in Korea, and our portfolio included a total of 15 assets consisting of six department stores, five mart branches, three outlet branches, and one logistics center.

LOTTE REIT pursues continued and solid growth on the back of its long-term lease agreements signed with key tenants including LOTTE Shopping, one of its sponsors, and other LOTTE Group subsidiaries. We will commit to making our assets more competitive and consistently delivering the greatest-possible shareholder value as Korea's largest publicly-listed REIT.

## Key Highlights 01

# EVOLVING INTO KOREA'S LARGEST REIT

Growing into Korea's largest REIT in terms of AUM and market capitalization.

Establishing a pipeline of high-quality assets from LOTTE Group subsidiaries including its sponsors of LOTTE Shopping and LOTTE Global Logistics.

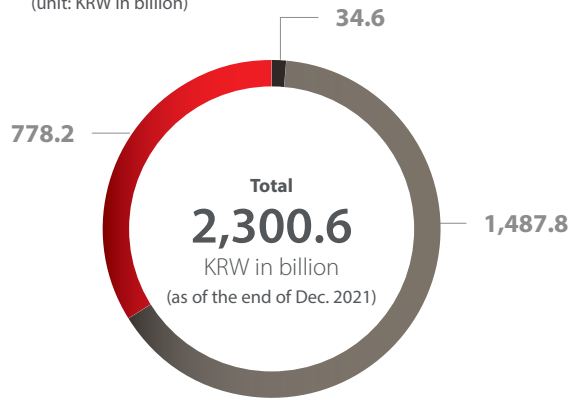
Building mid/long-term growth momentum through the incorporation of additional assets.





## AUM

(unit: KRW in billion)



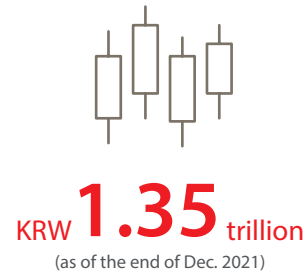
■ IPO(Oct. 2019)

■ Rights issue(Mar. 2021)

■ Acquisition of assets(Dec. 2021)

## Market Capitalization

(unit: KRW in trillion)



## No. of Assets

(as of the end of Dec. 2021)

**15**

Our portfolio included a total of 15 assets consisting of six department stores, five mart branches, three outlet branches, and one logistics center.



**6**

Department Stores



**5**

Mart Branches



**3**

Outlet Branches

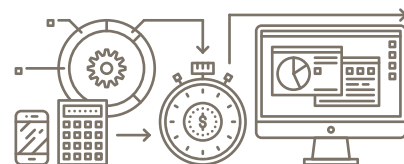


**1**

Logistics Center

## INDEX

**FTSE All Cap**  
**MSCI Small Cap, etc.**



## Key Highlights 02

# CREATING A STABLE PROFIT STRUCTURE

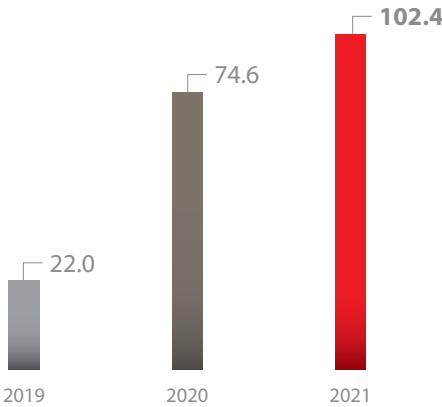
Generating stable and solid profits through long-term lease agreements  
signed with blue-chip tenants.

Maintaining favorable financing conditions on the back of high credit ratings.



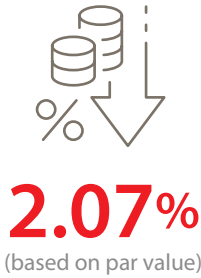
**Rental Income**

(unit: KRW in billion)



**Average Interest Rate of Financing**

(unit: %)



**Credit Rating**

Establishing a strong capital structure on the back of outstanding credit ratings



**LTV**

(unit: %)

Stable financing made possible with industry's lowest level LTV



## Key Highlights 03

# IMPROVING SHAREHOLDER VALUE

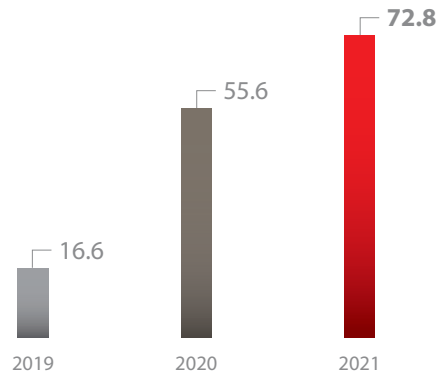
Promoting management accountability based on transparent governance.

Maintaining a high dividend yield through stable asset management and rental income.

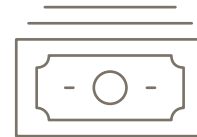


**Dividends**

(unit: KRW in billion)

**Dividend per Share**

(unit: KRW)

**KRW 299**

(as of 2021, annualized dividend per share)

**Dividend Yield**

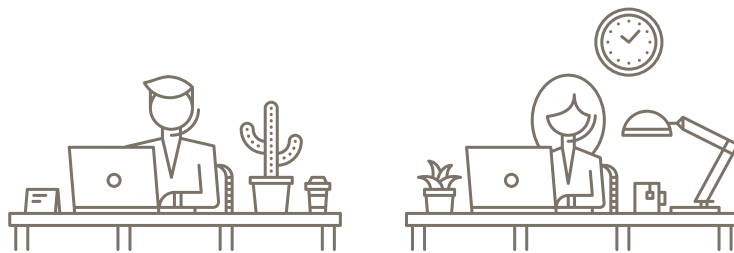
(unit: %)

Stable dividend returns with a 6% and above average dividend yield

During the year 2021, we set our dividend per share at KRW 299 (annualized dividend per share) and paid a total of KRW 72.8 billion in dividend with 6.48% in dividend yield.

**6.48%**

(based on total equity in 2021, annualized dividend yield)



# LOTTE AMC at a Glance

LOTTE AMC was established in March 2019 as an asset manager wholly owned by LOTTE Corporation in conformity with the Real Estate Trusts Act, and engages in investment and operation of the real estate properties consigned by REITs.



### Selective investments made by professionals

Take the most efficient and optimal approach to each phase of REIT business from development to operation and management



### Leveraging LOTTE Group as the anchor investor

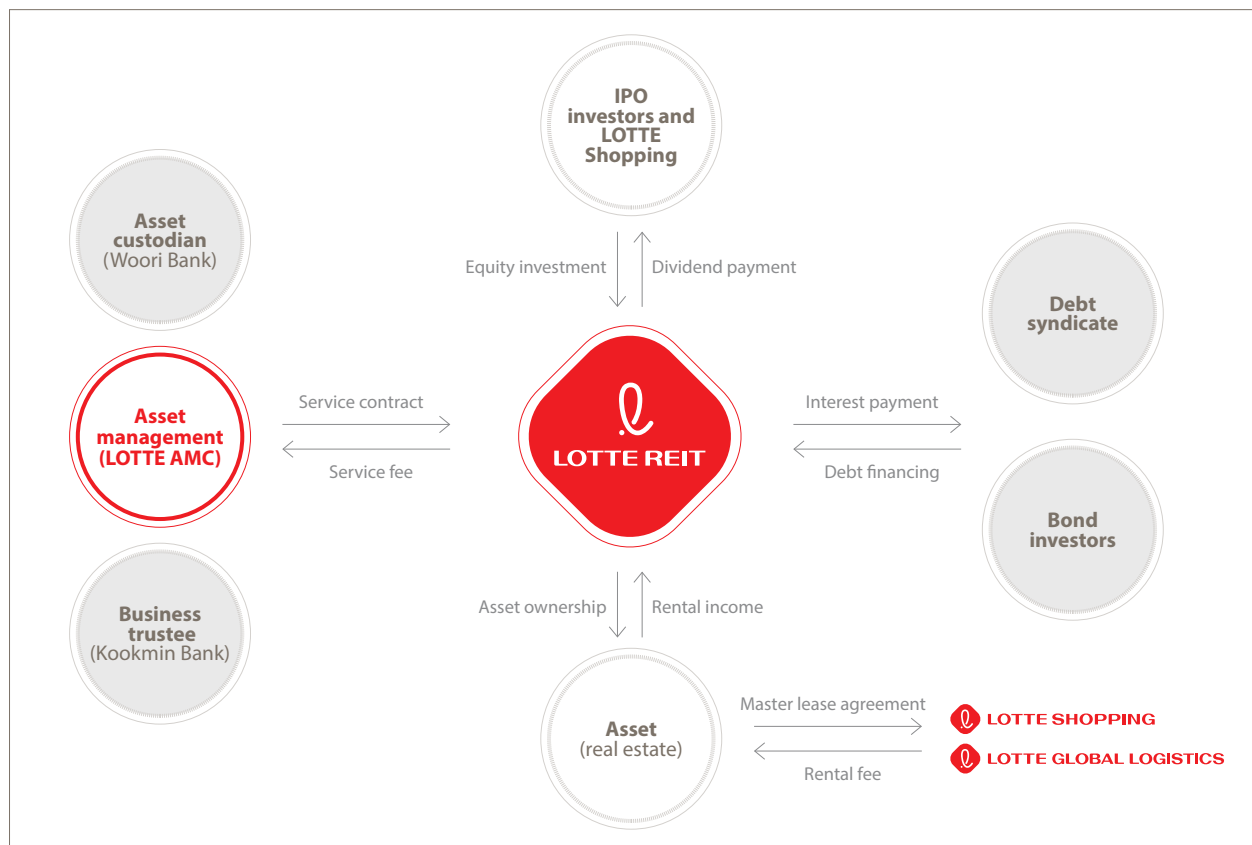
Continuously incorporate high-quality real estate assets of LOTTE Group as a wholly-owned subsidiary of LOTTE Corporation



### Optimal risk management

Improve investor trust through transparent internal investment decision-making and optimal risk management

## Structure of LOTTE REIT





## Key Milestones



### 2021

Dec. 15

Acquired the LOTTE Mart Gyeonggi Yangpyeong Branch and initiated its master lease agreement. Issued unsecured bond worth KRW 31 billion



Nov. 22

Obtained a credit rating on unsecured bond from Korea Investors Service (A+, Stable)

Nov. 19

Obtained a credit rating on unsecured bond from NICE Investors Service (A+, Stable)

Mar. 26

Listed shares issued through a rights offering (common stock: 71,000,000 shares)

Mar. 17

Acquired LOTTE Department Store branches (Ansan, Jungdong), LOTTE Mart branches (Gyeonggi, Chuncheon), a LOTTE Premium Outlet branch (Icheon), and LOTTE Mart Mall's Gimpo Logistics Center, and initiated their master lease agreements



Mar. 11

Rights issue subscription for existing shareholders (period: Mar. 8~Mar. 9 / subscription rate: 100.37%)

### 2020

Dec. 14

Gained approval for change of business plan from the Ministry of Land, Infrastructure and Transport



### 2019

Oct. 30

Listed on the stock market

Oct. 16

Acquired LOTTE Department Store branches (Guri, Gwangju, Changwon), LOTTE Mart branches (Uiwang, Jangyu), and LOTTE Outlet & Mart branches (Yoolha, Cheongju), and initiated their master lease agreements



Oct. 11

IPO subscription (period: Oct. 8 ~ Oct. 11 / oversubscription ratio of 63.28:1)

Jul. 31

Issued mortgage bonds worth KRW 170 billion

Jul. 26

Book-building on mortgage bonds: posted 4.4:1 in oversubscription ratio

Jul. 10

Obtained a credit rating on mortgage bonds from NICE Investors Service (AA-, Stable)

Jul. 5

Obtained a credit rating on mortgage bonds from Korea Investors Service (AA-, Stable)

May 30

Acquired the LOTTE Department Store Gangnam Branch (in-kind investment from LOTTE Shopping), and signed its lease agreement with LOTTE Shopping as the master tenant



May 14

Gained business approval from the Ministry of Land, Infrastructure and Transport

Mar. 29

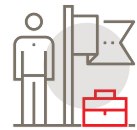
Established LOTTE REIT



LOTTE WORLD TOWER

Ranking of Korea's  
largest companies

**5<sup>th</sup>**



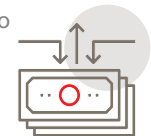
Assets

**125.7**  
(KRW in trillion)



Debt-to-equity ratio

**123.1 %**



Sales

**56.4**  
(KRW in trillion)



No. of subsidiaries

**86**  
companies



Source: LOTTE Group,  
Fair Trade Commission (published in May 2021)

# About Our Group

As Korea's fifth largest business group based on assets, LOTTE builds on its success of sustained growth on the strength of its stable financial structure.

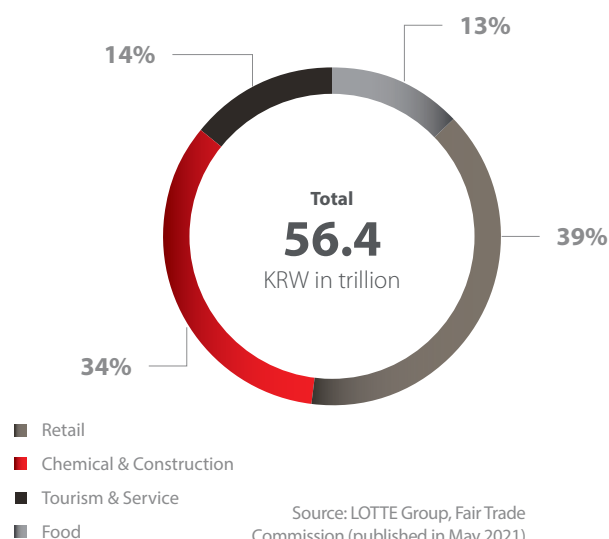
LOTTE Group was founded as LOTTE Confectionary back in 1967, and has expanded its business territory into wide-ranging sectors, including food, retail, chemical & construction, and tourism & service, establishing a successful business portfolio along the way. LOTTE prides itself on being a company that opens up the possibility of new lifestyles for customers while creating reliable corporate value and paving the way for sustainable growth.

With its vibrant business presence established in more than 30 countries across Asia and Europe, LOTTE Group is now expanding mainly into the Americas and emerging markets to achieve more robust and stable growth, delivering top quality products and services on the strength of its global network. For over half a century, LOTTE has relentlessly tested its limits and pursued transformation to provide products and services favored and trusted by customers while committing itself to enriching the life of all.

LOTTE Group, Korea's fifth largest business as of 2021, is opening yet another chapter of growth in its journey to become a centennial company.

## Sales Breakdown by Business

(unit: %)



## Business Portfolio

1

### Food

LOTTE Confectionary  
LOTTE Chilsung Beverage  
LOTTE Foods  
LOTTE GRS  
LOTTE Asahi Liquor  
LOTTE-Nestle (Korea)  
LOTTE Merchandising Service Center

2

### Retail

LOTTE Department Store  
LOTTE Mart  
LOTTE Super  
LOTTE e-commerce  
LOTTE Hi-Mart  
Korea Seven  
LOTTE Homeshopping  
FRL Korea  
LOTTE Members  
LOTTE GFR  
Samantha Thavasa LOTTE

3

### Tourism & service

LOTTE Hotel  
LOTTE Duty Free  
LOTTE World  
LOTTE Resort  
LOTTE Cultureworks  
LOTTE JTB  
LOTTE P&D  
LOTTE Rental  
LOTTE International  
LOTTE Global Logistics  
LOTTE Data Communication  
Daehong Communications  
LOTTE Giants  
Canon Korea Business Solutions  
Korea Fujifilm

4

### Chemical & construction

LOTTE Chemical  
LOTTE Fine Chemical  
LOTTE MCC  
LOTTE INEOS Chemical  
LOTTE E&C  
LOTTE CM Division  
LOTTE Aluminum

# About Our Sponsor

## LOTTE Shopping

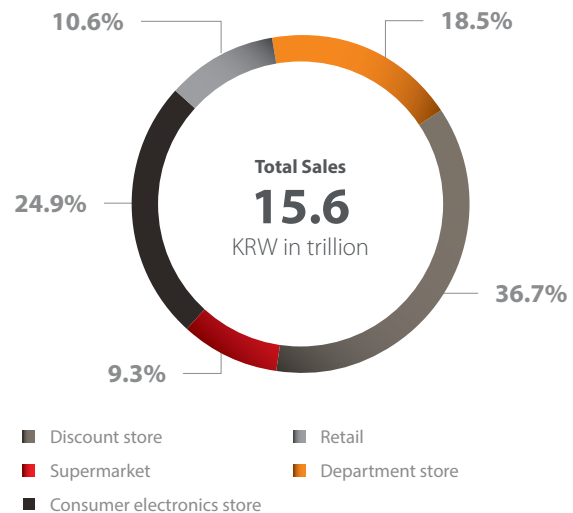
Korea's leading global retailer shaping the future of retail business

LOTTE Shopping, over the past five decades since its foundation in 1970, has pioneered the development of the retail industry while delivering new value to customers on the back of its advanced infrastructure and system. LOTTE Shopping has been broadening its business territory from department stores to discount stores, consumer electronics stores, supermarkets, home shopping, culture works, H&B stores and e-commerce eventually to evolve into Korea's No. 1 retailer.

Not only does LOTTE Shopping provide products and services that manifest LOTTE's distinctive characteristics through opening new stores and renovating existing ones, it also presents smart shopping infrastructure and omnichannel services in line with the 4th Industrial Revolution, taking the lead in creating a new future-driven retail culture. In Russia, Vietnam, Indonesia and the wider global market, LOTTE Shopping is laying the groundwork for growth while contributing to the development of the local retail industry and lifestyle culture.

## Sales Breakdown by Business

(As of the end of Dec. 2021)



LOTTE Department Store Gangnam Branch (The Conran Shop)

As of the end of Dec. 2021



Department Store <sup>1</sup>

**64**  
locations



Discount Store <sup>2</sup>

**224**  
locations



Supermarket <sup>3</sup>

**400**  
locations



Consumer Electronics Store

**427** **14**  
locations logistics centers

Note 1. 60 locations in Korea (including 2 under consignment operation), 4 locations overseas

Note 2. 161 locations in Korea (112 mart locations, 49 LOHB's locations) 63 locations overseas

Note 3. Including CS retail



## LOTTE Global Logistics

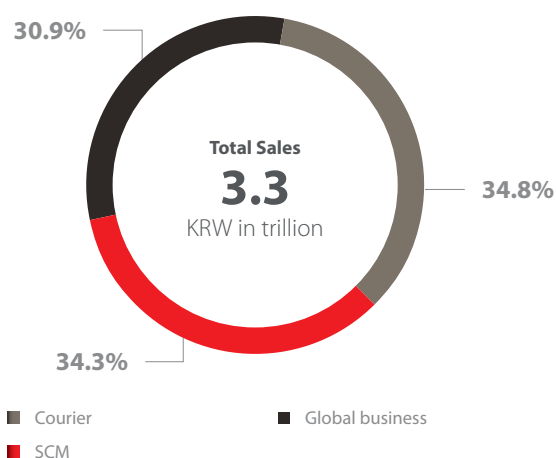
Growing into a comprehensive logistics company engaging in courier, harbor operation and global business

LOTTE Global Logistics was established in 1996 and has since built a robust business network of more than 1,000 locations in Korea and exceptional IT capabilities to provide customers with optimal conditions and services for comprehensive logistics spanning courier, land transportation, 3PL, harbor logistics, and international logistics, and bring to life logistics innovation that makes the world smaller. On the strength of its wide-ranging experience and business know-how accumulated in the domestic market, LOTTE Global Logistics has created overseas corporations in China, Vietnam, India, the UK, Germany and the US to achieve remarkable growth across the global market.

LOTTE Global Logistics, as a member of LOTTE Group, has contributed to generating synergy with LOTTE's other business domains. LOTTE Global Logistics will sensibly navigate the rapidly-shifting global business landscape while focusing on business diversification, business structure innovation and new high value-added business development, laying a robust foundation to reach new heights into the future and moving beyond Korea to become a truly global logistics company.

## Sales Breakdown by Business

(As of the end of Dec. 2021)



LOTTE Global Logistics Mega Hub Terminal

As of the end of Dec. 2021



Courier Terminal

**17**

locations



Network

**13**

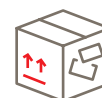
countries



Delivery Branch

**83**

locations



SCM Center

**215**

locations

# Financial Highlights

As of the end of December 2021, LOTTE REIT posted KRW 104.8 billion in operating revenue, up by 37% and KRW 35.4 billion in net income, and up by 14% from the previous year while increasing its AUM to KRW 2.3 trillion. Even amid increasing interest rates, our annual dividend payout ratio remained at 6% and above to deliver stable dividend returns. In 2022, we will incorporate a wide range of new assets with a focus on LOTTE Group sponsors to continue with our growth trajectory.

(unit: KRW in billion, %)

	FY2019	FY2020	FY2021
Total assets	1,583.8	1,573.9	2,403.9
Liabilities	721.6	724.8	1,250.8
Capital	862.3	849.1	1,153.1
Operating revenue	24.5	76.4	104.8
Operating expenses	8.4	28.4	43.0
Non-operating revenue	0.7	0.4	0.3
Non-operating expenses	4.6	17.3	26.7
Net income	12.1	31.2	35.4
Dividend Yield <sup>1</sup>	5.45% <sup>2</sup>	6.47% <sup>3</sup>	6.48% <sup>4</sup>

Note 1) Dividend yield refers to annualized dividend yield, and is calculated by dividing total dividends by equity which factors in change in the number of shares during the fiscal period.

Note 2) Refers to annualized dividend yield in 2019: KRW 16,588 million (total dividends in 2nd Fiscal period of 2019) x 2 ÷ KRW 609,039 million (equity) (KRW 609,039 million (equity) = equity invested by LOTTE Shopping (6 months) + IPO equity\* (2.5 months) = KRW 429,905 million + KRW 429,922 million\*(2.5÷6)

Note 3) KRW 55,616 million (total dividends in 2020) ÷ KRW 859,827 million (equity)

Note 4) The rights issue on Mar. 15, 2021 resulted in change in total equity, and calculations were made based on equity adjusted through period-based conversion: KRW 72,766 million (total dividends in 2021) ÷ KRW 1,123,725 million (equity) (KRW 1,123,725 million (equity)=Equity before rights issue (12 months) + Equity\* after rights issue (9.5 months) = KRW 859,827 million + KRW 333,345 million\* (9.5÷12)



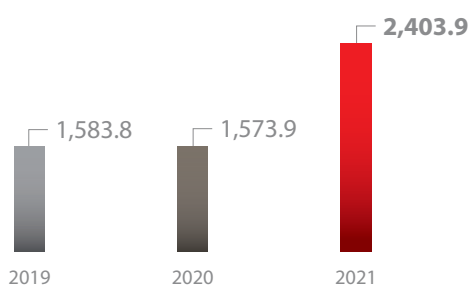


**Total assets**

(unit: KRW in billion)

As of the end of 2021, total assets amounted to KRW 2,403.9 billion, up by 52.74% year-on-year from KRW 1,573.9 billion

KRW **2,403.9** billion

**Operating revenue**

(unit: KRW in billion)



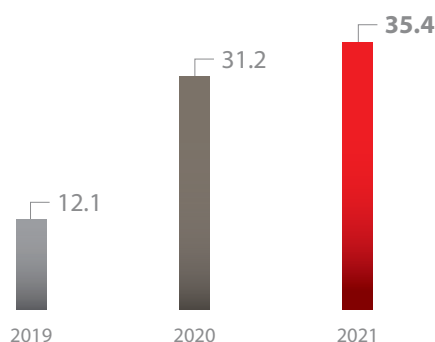
KRW **104.8** billion

**Net income**

(unit: KRW in billion)

As of the end of 2021, net income amounted to KRW 35.4 billion, up by 13.55% (KRW 4.2 billion) year-on-year from KRW 31.2 billion

KRW **35.4** billion

**Dividend per share**

(unit: KRW)



KRW **299**

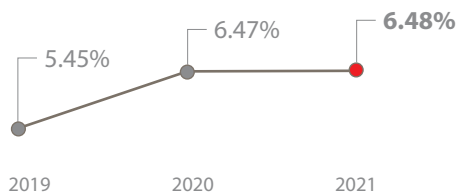
\*as of 2021, annualized dividend per share

**Dividend Yield**

(unit: %)

Stable dividend returns with a 6% and above average dividend yield

\*annualized dividend yield which was calculated by dividing total dividends by equity, factoring in change in the number of shares during the fiscal period



# Stock Information

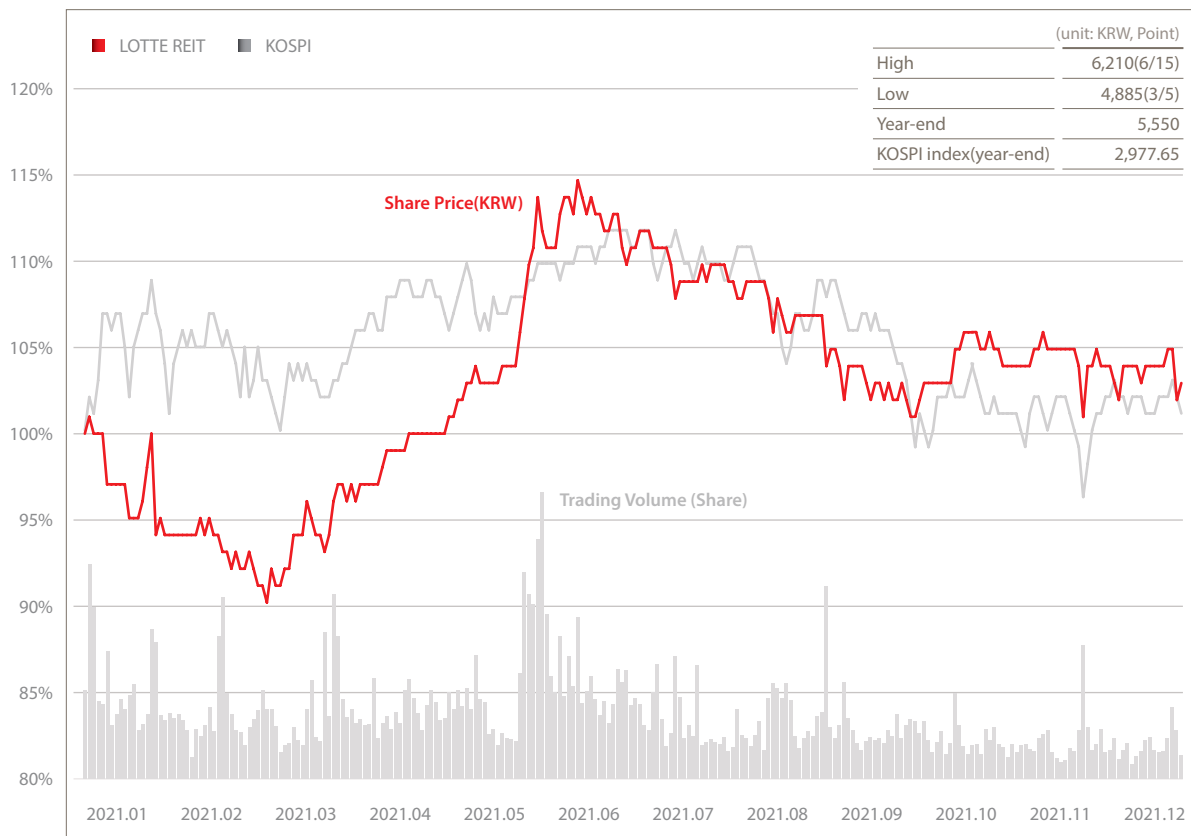
LOTTE REIT has continued to outperform the market since its listing on the KOSPI in October 2019, and its share price has been increasing at 10% and above against the initial offering price of KRW 5,000. We are also the first domestic REIT to be included in such global REIT indices as the MSCI Emerging Market Small Cap index and the FTSE Global All Cap index. This has given rise to the inflow of passive funds, which has positive impact on our share price.

As to the composition of shareholders, LOTTE Shopping owns 121,484,442 shares or 50% of our total outstanding shares. Our shareholders also include one of the world's largest asset managers such as Schroders plc as well as major institutional investors in Korea and overseas, and they are continuously increasing their equity ownership.

LOTTE REIT was rated AA- (Stable) for mortgage bonds and A+ (Stable) for unsecured bond to establish a competitive capital structure. Our low debt-to-equity ratio and stable lease agreements also contributed to our high credit ratings, which in turn helps reduce our financing leverage costs.

We return most of the rental income generated from our real estate assets by paying dividends to shareholders each year on two occasions at the end of June and December. During the year 2021, we set our per share dividend at KRW 299 (annualized dividend per share) and paid a total of KRW 72.8 billion in dividend with 6.48% in dividend yield. In 2022, we will maintain our annual dividend yield in the 6% range.

## Stock Price Trajectory in FY2021



## Shareholder Composition

As of the end of Dec. 2021		
Shareholder	No. of Shares	Equity Ownership (%)
LOTTE Shopping	121,484,442	50.00%
Woori Bank (National Pension Scheme)	5,327,561	2.19%
Shinhan Bank (Mirae Asset TIGER real estate infra high yield mixed asset index investment trust (fund of funds))	3,086,033	1.27%
Schroder Asian Asset Income Fund	2,967,501	1.22%
HSBC Institutional Trust Services (SGPR) Ltd as TT of Schrod	2,727,683	1.12%
Other	107,375,664	44.20%
<b>Total</b>	<b>242,968,884</b>	<b>100%</b>

## Dividends

	2019	2020	2021
Dividend per share (KRW) <sup>1</sup>	96	323	299
Dividend yield(%) <sup>2</sup>	5.45% <sup>3</sup>	6.47% <sup>4</sup>	6.48% <sup>5</sup>

Note 1) Dividend per share is calculated by dividing total dividends by the number of shares.

Note 2) Dividend yield refers to annualized dividend yield, and is calculated by dividing total dividends by equity which factors in change in the number of shares during the fiscal period.

Note 3) Refers to annualized dividend yield as of 2019: KRW 16,588 million (total dividends in 2nd Fiscal period of 2019) × 2 ÷ KRW 609,039 million (equity) (KRW 609,039 million (equity) = equity invested by LOTTE Shopping (6 months) + IPO Equity\*(2.5 months) = KRW 429,905 million + KRW 429,922 million \*(2.5÷6)

Note 4) KRW 55,616 million (total dividends for 2020) ÷ KRW 859,827 million (equity)

Note 5) The rights issue on Mar. 15, 2021 resulted in change in total equity, and calculations were made based on equity adjusted through period-based conversion: KRW 72,766 million (total dividends for 2021) ÷ KRW 1,123,725 million (equity) (KRW 1,123,725 million (equity) = Equity before rights issue (12 months) + Equity after rights issue\* (9.5 months) = KRW 859,827 million + KRW 333,345 million\*(9.5÷12)

## Credit Rating



**Stable**

(based on mortgage bonds)



**Stable**

(based on unsecured bonds)

## Global Index

At the time of our listing in 2019, we elicited the active engagement of global investors, and have been continuously included in a range of global REIT indices since our listing.

Ticker	Index
ACDXUSR	FTSE Developed ex US All Cap Net Tax (US RIC) Index
BBAREIT	Bloomberg Asia Real Estate Investment Trust Index
ACDAPR	FTSE Developed Asia Pacific All Cap Net Tax (US RIC) Index
NU137529	MSCI EM IMI (VRS Taxes) Net Return USD Index
ACDAPN	FTSE Developed Asia Pacific All Cap Net Tax Total Return
MSVUAWO	MSCI ACWI Value Small USD Index
SOEMLCUN	Solactive Emerging Markets Large Cap USD Index NTR
MIVUEMR	MSCI EM EMerging Markets IMI Value USD
SGMACEN	Solactive GBS Global Markets All Cap EUR Index NTR

## CEO's Message



“

LOTTE REIT will evolve into  
a truly global REIT recognized  
the world over ”



### Dear all stakeholders of LOTTE REIT,

It is with great pleasure that we proudly present LOTTE REIT's annual report.

In 2021, our life fundamentally changed and the global economy faced unprecedented change amid the COVID-19 pandemic. Nevertheless, LOTTE REIT stayed the course to continue with its solid growth even in the face of such overwhelming change. We remained focused on fulfilling our responsibility in conducting business based on transparent governance all while thoroughly practicing ethics and compliance management.

There still lie a range of challenges and opportunities ahead of us. Amid continued uncertainties across the global economy and the prolonged domestic economic downturn, the challenge of rising interest rates and the emerging trends of rapid digital transformation and national carbon neutrality initiatives call for increased agility and closer cooperation in our response. LOTTE REIT remains firmly committed to pursuing new change and innovation that benefits all to achieve sustainable growth. We extend our deepest gratitude to our shareholders for their unwavering support and would like to share with you our achievements for the past year and plans for the upcoming year.

Last year, we continued on our growth trajectory despite the sustained economic slowdown and the quickly-changing landscape. In the first half of 2021, we successfully completed a rights issue and incorporated a total of six new assets, including LOTTE Mart Mall's Gimpo Logistics Center. In December, we acquired the LOTTE Mart Yangpyeong Branch, an asset that generates good sales performance and holds the potential for increasing its real estate value, by issuing unsecured bond and leveraging our own funds. All these additions not only scaled up our business but also included retail and logistics center assets to diversify risks and improve the stability of our portfolio.

Since our foundation and listing in 2019, we have expanded our AUM and posted solid growth in total rents. Even in the face of COVID-19, we collected 100% of the agreed-upon rents and maintained dividends in the 6% range. During the course of 2021, LOTTE REIT achieved both qualitative and quantitative growth on the back of the rights offer, asset acquisition and dividend growth to cement its position as Korea's leading REIT in just two years since its establishment, with KRW 2.3 trillion in total AUM and KRW. 1.35 trillion in market capitalization.


### Respected shareholders,

The year 2022 is forecast to present both positive outlook for the real estate economy and concerns over interest rate rises. In spite of the mounting uncertainties of 2022, LOTTE REIT will take the following growth strategies to maximize stakeholder value and seek continued growth as Korea's industry-leading top-tier anchor REIT.

### We will consistently build our mid/long-term growth momentum through asset acquisition.

We have concluded ROFO (Right of First Offer) agreements on retail assets and logistics centers with our sponsors of LOTTE Shopping and LOTTE Global Logistics to establish long-term growth momentum. We will select and acquire high-quality assets to further pursue growth, as demonstrated with the LOTTE Mart Gyeonggi Yangpyeong Branch that we acquired in December 2021. In so doing, we will emerge as a global mega REIT with the largest AUM in Korea.



LOTTE REIT shapes  
a better tomorrow of  
investment by creating  
new value today 

### We will pursue strategic financing in response to changing market conditions.

We plan to refinance the assets that we currently hold by issuing KRW 170 billion mortgage bonds and taking KRW 478 billion secured borrowings. Our exceptional credit ratings (AA- for mortgage bond, A+ for unsecured bond) put us in an advantageous position against the competition in terms of interest rates. We will reduce refinancing costs by capitalizing on our low LTV and additional collateral assets and converting secured loans into corporate bonds while implementing strategic financing plans to ensure that we deliver dividends just as planned.

### We will work to join the FTSE EPRA Nareit Global REITs index.

Since our listing in 2019, we have been included in a range of global REITs indices one after another. Joining the FTSE EPRA Nareit Global REITs index, the most widely followed index in the global REIT fund market, is one of our growth goals at LOTTE REIT. Our inclusion in such globally-recognized REITs indices makes us available for global benchmarking and is expected to promote stability in supply/demand along with the inflow of passive funds that track such indices and help mitigate volatility in the stock market.

We sincerely thank you once again for your steadfast trust and encouragement. We will reciprocate by evolving into a Global REIT beloved by its shareholders and recognized for its excellence the world over. We look forward to your ever-lasting interest and support in the years ahead.

Thank you.

May 2022

  
**Joonyoung Kwon**  
CEO, LOTTE AMC





# 2021 Year in Review

LOTTE REIT continues to grow steadily  
as Korea's leading REIT



## Acquiring the LOTTE Mart Yangpyeong Branch

**Dec. 15, 2021**

We acquired the LOTTE Mart Yangpyeong Branch for KRW 34.6 billion (excluding incidental costs). We assessed externally-owned assets for their sales performance and locational potential to increase their real estate value, and made acquisitions accordingly. Leveraging our own funds and issuing unsecured bond as the first in the industry to do will allow us to acquire and operate assets without any rights offering and increase the funds available for investor dividends.



## Receiving an A+ credit rating for unsecured bond

**Nov. 22, 2021**

Our unsecured bond were awarded A+ credit ratings from the domestic credit rating agencies of Korea Investors Service and NICE Investors Service. This is attributable to the stable profit and strong cash flow expected from the long-term lease agreement signed with our sponsor LOTTE Shopping which is ranked 1st and 3rd in the domestic department store and hypermarket sectors respectively and plans to maintain its status as our largest shareholder.

## Issuing KRW 31 billion unsecured bond

**Dec. 15, 2021**

We issued KRW 31 billion in unsecured bond that carry no collateral backing for the first time. This public offering constitutes our second round of bond issuance: given that any rights offering could potentially reduce shareholder dividends, we opted for bond issuance.



## Acquiring 6 retail and logistics assets

**Mar. 17, 2021**

We acquired six assets for KRW 778.2 billion (excluding incidental costs) – 2 LOTTE Department Store branches (Ansan, Jungdong), 2 LOTTE Mart branches (Gyeyang, Chuncheon), 1 LOTTE Premium Outlet branch (Icheon), and the LOTTE Mart Mall Gimpo Logistics Center. These assets were chosen for their ability to generate profit, foot traffic and location out of the retail portfolio owned by LOTTE Shopping. We also incorporated a logistics center within the Gimpo Gochon Logistics Complex which is recognized best-in-industry in terms of commanding high rents and being preferred by shippers for its close proximity to transportation infrastructure. Five of these newly incorporated assets are situated in the Seoul metropolitan area.



## Performing a KRW 333.3 billion rights offer

**Mar. 26, 2021**

As Korea's largest publicly-listed REIT, we successfully completed a KRW 333.3 billion rights issue. This large-scale fund raising has paved the way for us to emerge as a REIT operating over KRW 2 trillion in assets.

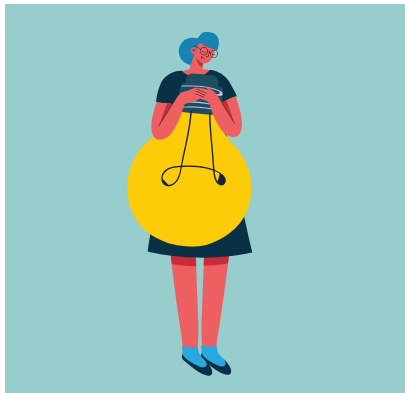
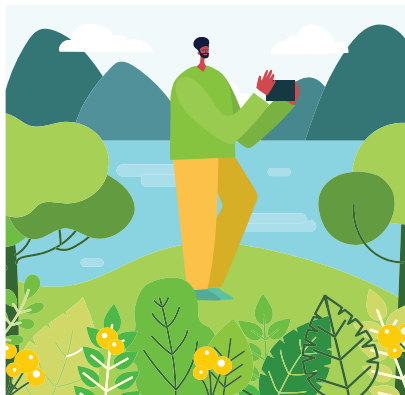
# ESG Commitment

We will advance ESG management with forward-looking investment and bold innovation to contribute to creating a flourishing life for all in all of economic, social and environmental aspects.

LOTTE Group moved ahead to embrace ESG management in December 2015 and has since remained steady in advancing ESG management, recognizing the importance of eco-friendly management, social responsibility and transparent governance as a direct determinant of a company's sustainability. We reached another meaningful milestone at the Value Creation Meeting (VCM)\* held in July 2021 to widely declare our firm commitment to ESG management with an aim to rise to global challenges of responding to climate change and creating a sustainable ecosystem. We also announced our new brand slogan 'New Today, Better Tomorrow' which embodies our future value to pursue innovation that benefits all for the sustainable future of the global community, sharing our vision of tomorrow that we aspire to shape together.

LOTTE will consider ESG values throughout its entire business operations. A clear goal will be set at the group level and bold action will be taken at respective subsidiaries so that the sum of all these endeavors delivers ESG value.



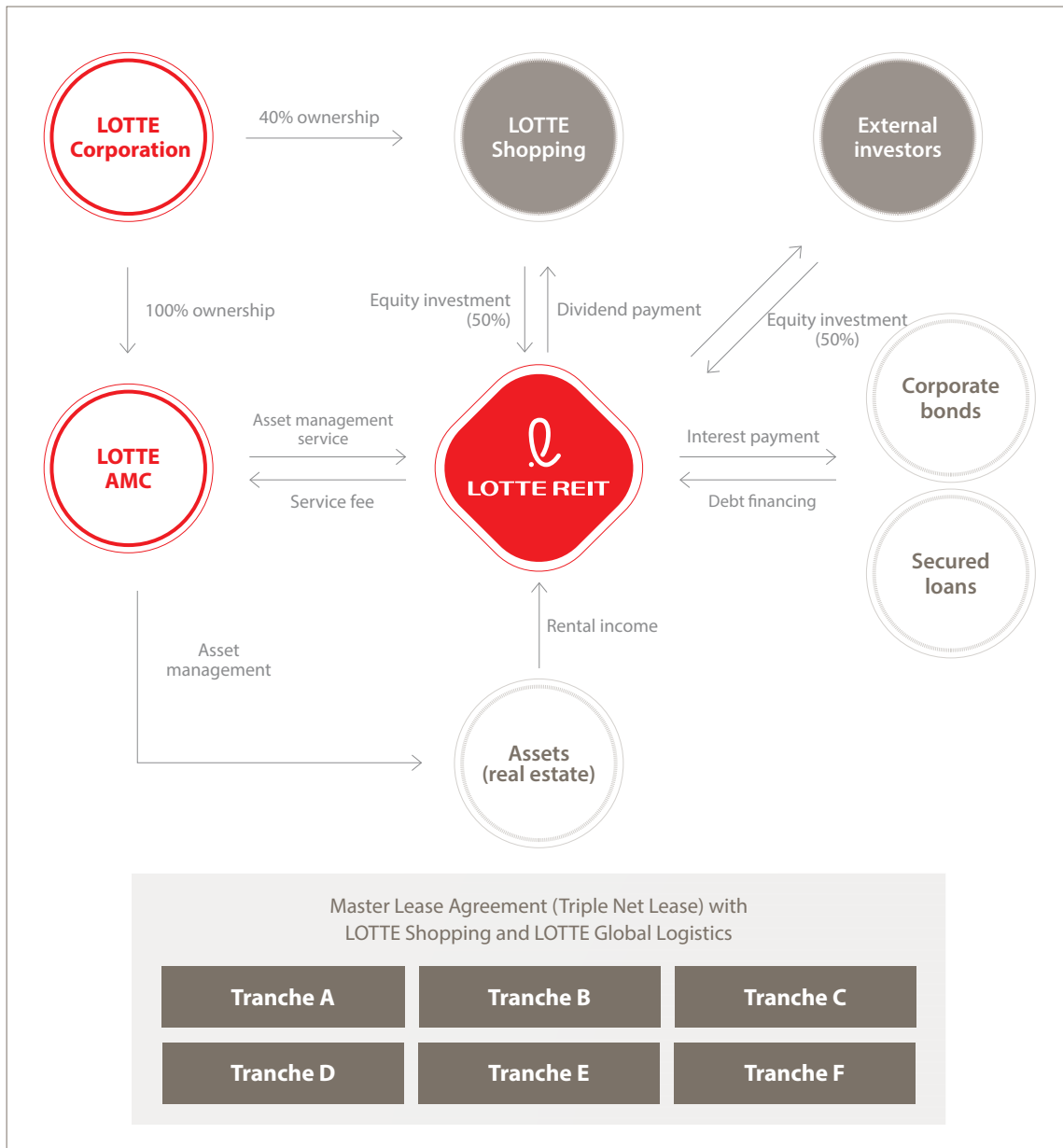


\*VCM (Value Creation Meeting): Semiannual VCMs are joined by CEOs of LOTTE Group subsidiaries. Since 2018, VCMs hosted in the first half of each year served to gather together all group subsidiaries to share the goal set for the upcoming year and mid/long-term growth strategies, and VCMs held in the second half provide respective subsidiaries with an opportunity to present their mid-term strategy by business domain and explore future ways forward.

# Investment Structure

With LOTTE Shopping owning 50% of the equity as the largest shareholder, LOTTE REIT collects rents from the assets operated by LOTTE Shopping and LOTTE Global Logistics to deliver stable dividends over the long-term.

## Business and Ownership Structure



## Investment and Financing Structure

A total of 15 invested assets, KRW 2.4 trillion

(unit: KRW in billion)

Total Investments		Financing	
Asset value	2,300.6	Equity	1,193.1
		Mortgage bonds	170.0
		Unsecured bond	31.0
		Secured loans	936.0
Incidental costs of acquisition	143.4	Deposits	109.6
		Other	4.3
<b>Total</b>	<b>2,444.0</b>	<b>Total</b>	<b>2,444.0</b>

## Financing

To pay for the acquisition of eight real estate assets including the LOTTE Department Changwon Branch from LOTTE Shopping, we obtained a credit rating for the first domestic REIT to do so and issued secured public bonds worth KRW 170 billion with an AA(-) credit rating in July 2019, and took out secured loans worth KRW 478 billion from commercial banks in October 2019 to finance the acquisitions.

To acquire six real estate assets including the LOTTE Department Store Jungdong Branch from LOTTE Shopping and LOTTE Global Logistics, we obtained secured loans valued at KRW 458 billion from commercial lenders in March 2021.

To acquire the LOTTE Mart Gyeonggi Yangpyeong Branch from the Mastern 33 REF, we issued KRW 31 billion in unsecured public bonds with an A(+) credit rating in December 2021. In addition to conventional bank lending, we have also established a competitive financing channel of issuing public bonds, and our strategic flexibility in responding to market conditions for investment financing and refinancing is considered one of our key strengths. The following shows our financing positions concerning bonds and borrowings.

(unit: KRW in billion)

		Financing in 2019	Financing in 2021
<b>Secured Borrowings</b>	Maturity	Oct. 16, 2022	Mar. 17, 2023
	Interest rate	2.27%	2.00%
	Lender	Korea Development Bank	248
		Mizuho Bank	130
		Kookmin Bank	100
		KEB Hana Bank	-
		Sub total	478
<b>Bonds</b>	Maturity	Jul. 29, 2022	Dec. 15, 2023
	Interest rate	1.55%	2.90%
	Amount	170	31
	Type	Secured	Unsecured
	NICE Investors Service	AA-	A+
	Korea Investors Service	AA-	A+

# Investment Strategy

LOTTE REIT proactively seeks to acquire high-quality assets to establish sustained growth momentum, and focuses on growth potential and stability in executing its investment strategy.

## Investment Destination

We remain focused on establishing a deal pipeline that enables our sustainable growth. To this end, we assess assets based on business ability indicators and review top-notch assets noted for their growth potential and business stability as our investment destinations.

- 1st priority investment target: Maintain a high ratio of large-size retail assets (department stores, supermarkets and outlets)
- 2nd priority investment target: Consider logistics centers expected to grow steady in line with the expanding e-commerce sector
- Other investment target: Consider data centers forecast to show explosive growth amid the digital economy transition

## Business Ability Assessment Indicators

### Size of Sales and EBITDA

Assess sales for the past 5 years and the strongest EBITDA performance



### Growth

Assess the CAGR of sales and EBITDA



### Business Stability

Compare sales and EBITDA data before and after COVID-19



## Lease Terms & Conditions

We leverage master lease and triple net lease agreements to create a stable rental income structure with minimum volatility.

By raising the share of fixed rents out of total and adopting fixed rent escalation, our rental income achieves stable growth and this allows us to generate solid cash flow even in the face of such externalities as COVID-19. Furthermore, variable rents are aligned with the sales of tenants so that additional growth in rental income is made possible in line with the growing sales of tenants.

### Master Lease

Maintain zero vacancy through long-term master lease agreements

Hedge against the risk of rental income decreases



### Triple Net\*

Leverage triple net lease to execute investments in support of stable operations

Minimize volatility while creating a stable rental income structure



\*A triple net lease is structured to make tenants pay for the maintenance of the property, including taxes and utility charges, insurance premiums and maintenance upkeep in addition to rents. LOTTE REIT has adopted this triple net lease structure in signing master lease agreements with LOTTE Shopping and LOTTE Global Logistics to reduce its management burden as a property owner.



## Tenant Qualifications

Our top priority is to secure highly reliable master tenants. In addition to our blue-chip tenants including LOTTE Shopping and LOTTE Global Logistics, we plan to expand our pool of tenants and recruit tenants outside LOTTE Group who are able to pay rents reliably based on their independent business competitiveness and financial stability.

Attracting master tenants with high credit ratings paves the way to generate solid rental income and pursue growth in the long term.

## Investment Value

We target new investment assets valued at least KRW 30 billion. We make reasonable decisions to invest in assets priced at fair market value in consultation with market stakeholders, and pursue stable investment not to damage the value of the company and our shareholders. As to investments that may entail excessive real estate price hikes amid intensifying competition over bidding, we will take a more prudent approach and make reviews accordingly.

### Minimum investment in new assets

(unit: KRW 100 million)

# 300+

## Real Estate Value Assessment Indicators

### 1. Size of Assets

Assess estimated sale price



### 2. Land Value

Assess individual official land values



### 3. Land Price Increases

Assess the location of assets based on increases in their individual official land value over the past 5 years



### 4. Asset Productivity

Assess the ratio of the highest sales against the asset price for the past 5 years



### 5. Asset Efficiency

Assess the ratio of the highest sales against GFA for the past 5 years



### 6. Securitization Potential

Assess the ability to pay rents based on the highest EBITDA achieved for the past 5 years



### 7. Development Value

Assess the possibility of re-zoning concerning use of land and development restrictions



## Investment Areas

Based on our reasonable assessments of real estate value indicators, we target assets located in prime locations that lend to the execution of development strategies including zoning alterations.

### Investment Target Areas and Investment Assets by Type

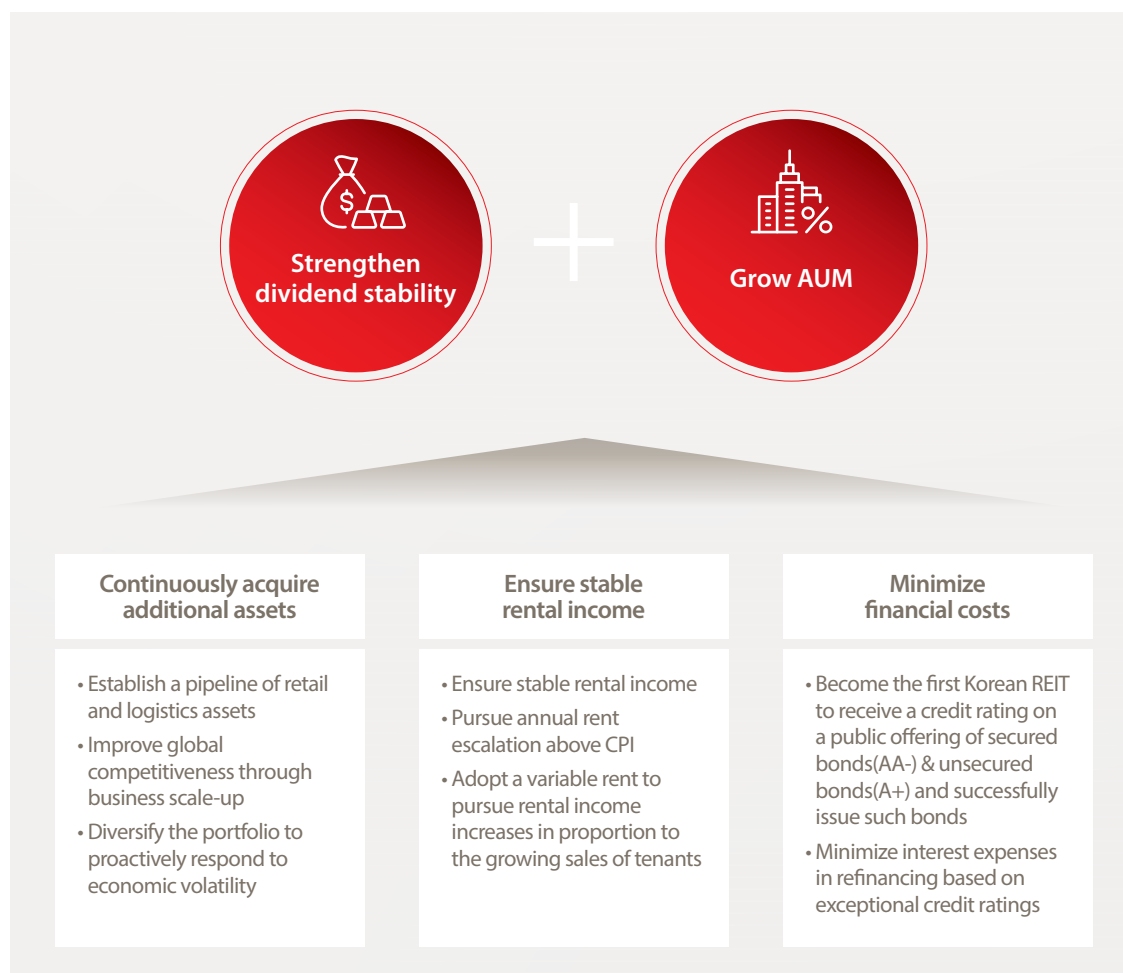
	High Priority Investment Seoul metropolitan area: Seoul, Gyeonggi, Incheon		Other Investment Targets outside the Seoul metropolitan area	
Main Points of Investment	Strengthen the stability of the portfolio based on high population density, access to transport and the concentration of industries and jobs		Establish business competitiveness and generate stable cash flow in the key locations of regional metropolitan cities	
Investment Value	Market prices are high while investment risks are low as the market highly appreciates upsides in real estate value increases.		Cap rates are relatively high compared to those of the Seoul metropolitan area, and market prices are low while rental income is high leading to exceptional investment value.	
Type of Investment Assets	Retail	Continuous increases in asset value, high value in use of land, prime locations to provide abundant opportunity for re-zoning and development	Retail	Good business performance, abundant local demand, potential to continuously expand market dominance based on competitiveness in the local commercial district
	Office	Expected increases in asset value, maintenance of stable rental demand		
	Logistics Center	Location in logistics hub areas equipped with transportation infrastructure and high traffic		Expanding investments in regional key logistics real estate assets with improved efficiency in the logistics and transport process in line with major e-commerce players broadening their logistics supply chain from the Seoul metropolitan area to the entire country
	Data Center	Location in areas with high power demand leading to exceptional customer accessibility and power/telecommunications infrastructure	Logistics Center	

# Growth Strategy

LOTTE REIT signed ROFO (Right of First Offer) agreements on retail assets and logistics centers with LOTTE Shopping and LOTTE Global Logistics to secure long-term growth momentum.

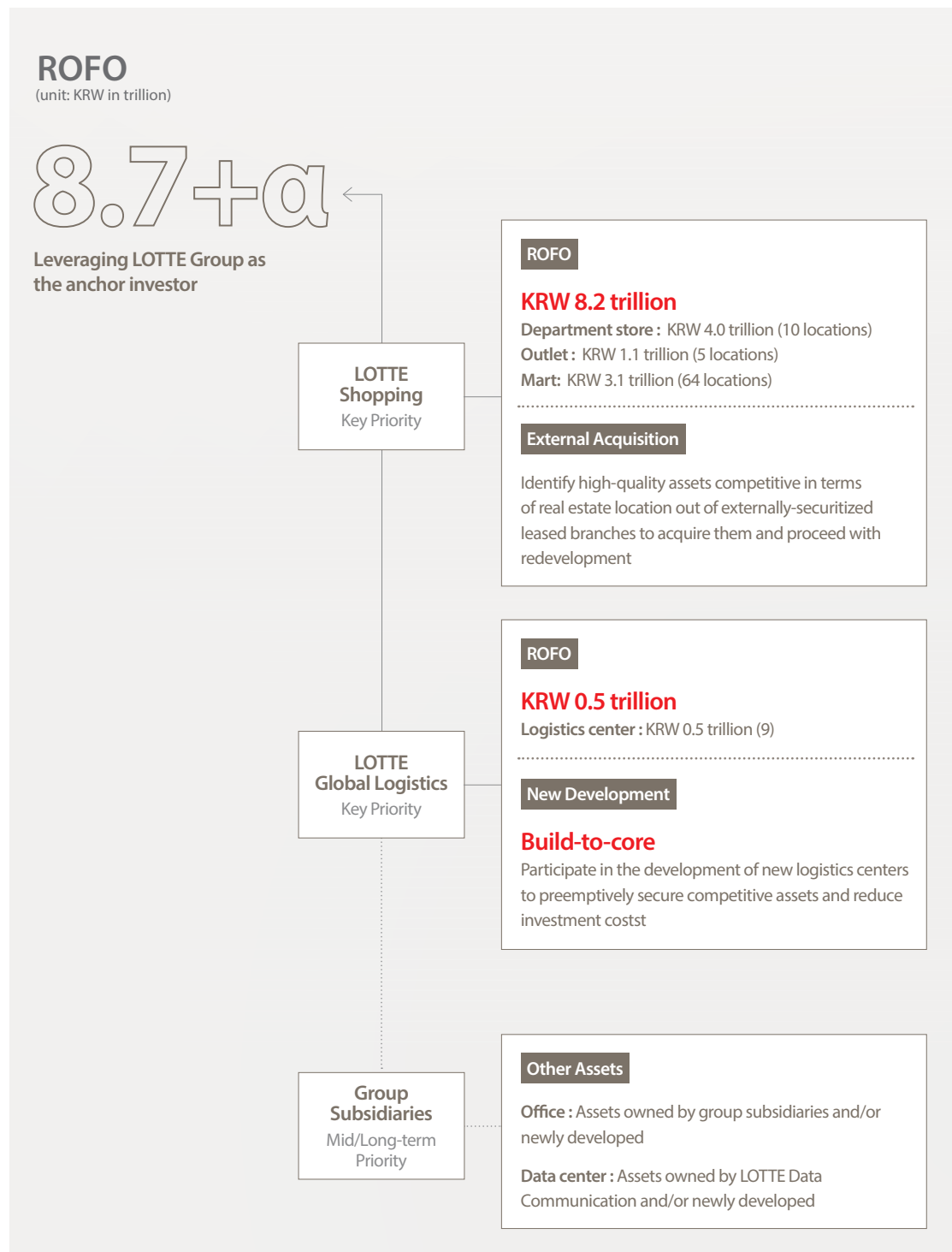
We aim to include a wide range of assets of LOTTE Group in our portfolio and minimize financing costs on the back of our exceptional credit ratings. Going forward, we will conclude long-term lease agreements with our sponsor LOTTE Shopping and other LOTTE Group subsidiaries as key tenants and ensure stable retail operation and rental income to emerge as a mega global REIT with Korea's largest AUM.

## Our Vision



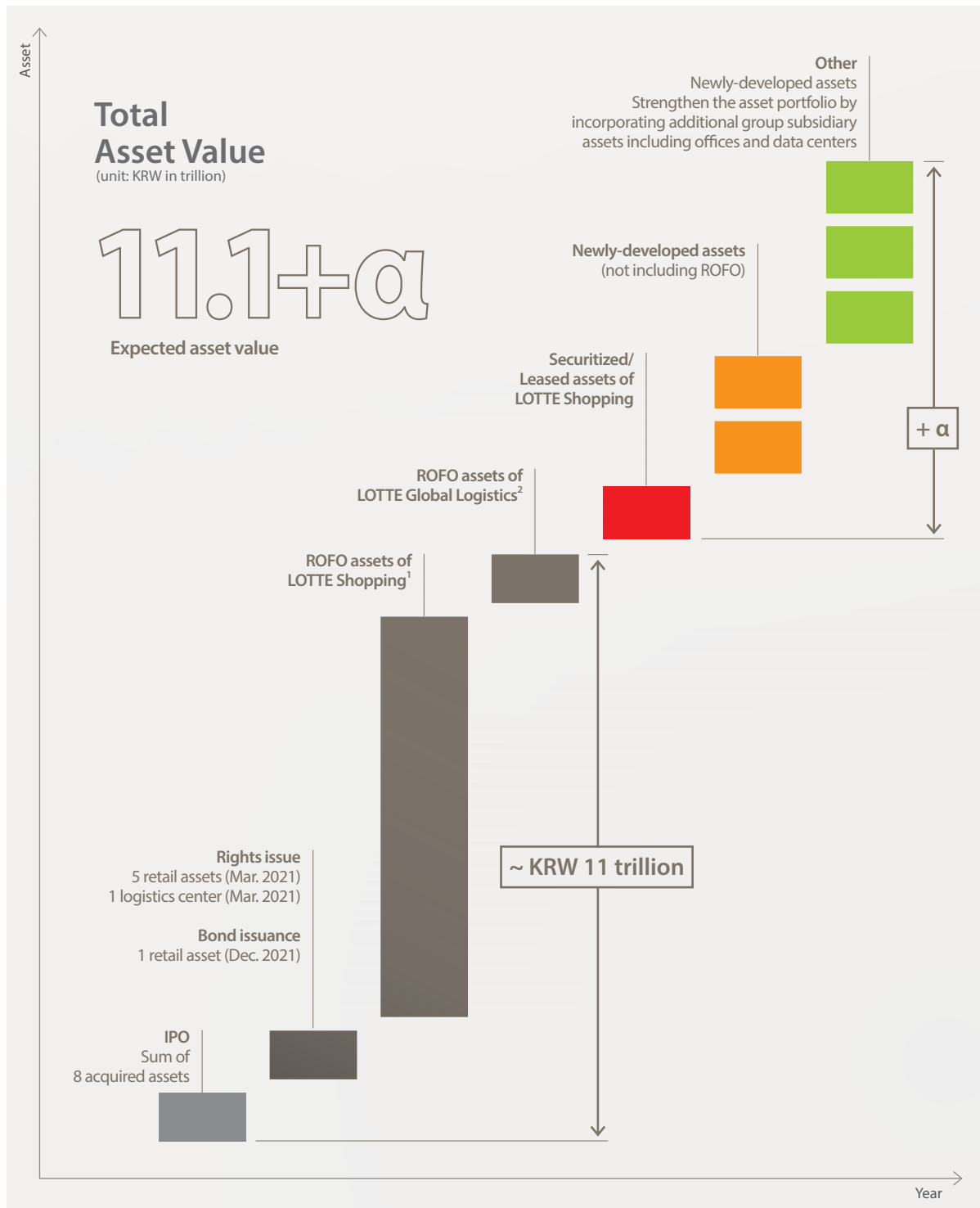
## Establishing a high-quality deal pipeline

Securing long-term growth momentum through ROFO agreements signed on retail assets and logistics centers with LOTTE Shopping and LOTTE Global Logistics



\* Excluding assets acquired in March 2021 from the number of assets and their book value-based size at the time of concluding ROFO agreements

## Mid/Long-term Growth Roadmap



Note 1. Asset value was calculated with the assumption that LOTTE Shopping assets that could be included in ROFO agreements are all acquired by LOTTE REIT (based on book value as of the end of 2018).

Note 2. Asset value was calculated with the assumption that assets owned or under construction by LOTTE Global Logistics that could be included in ROFO agreements are all acquired by LOTTE REIT (currently-owned assets: based on book value as of the end of 2019, assets under construction: based on total investments)



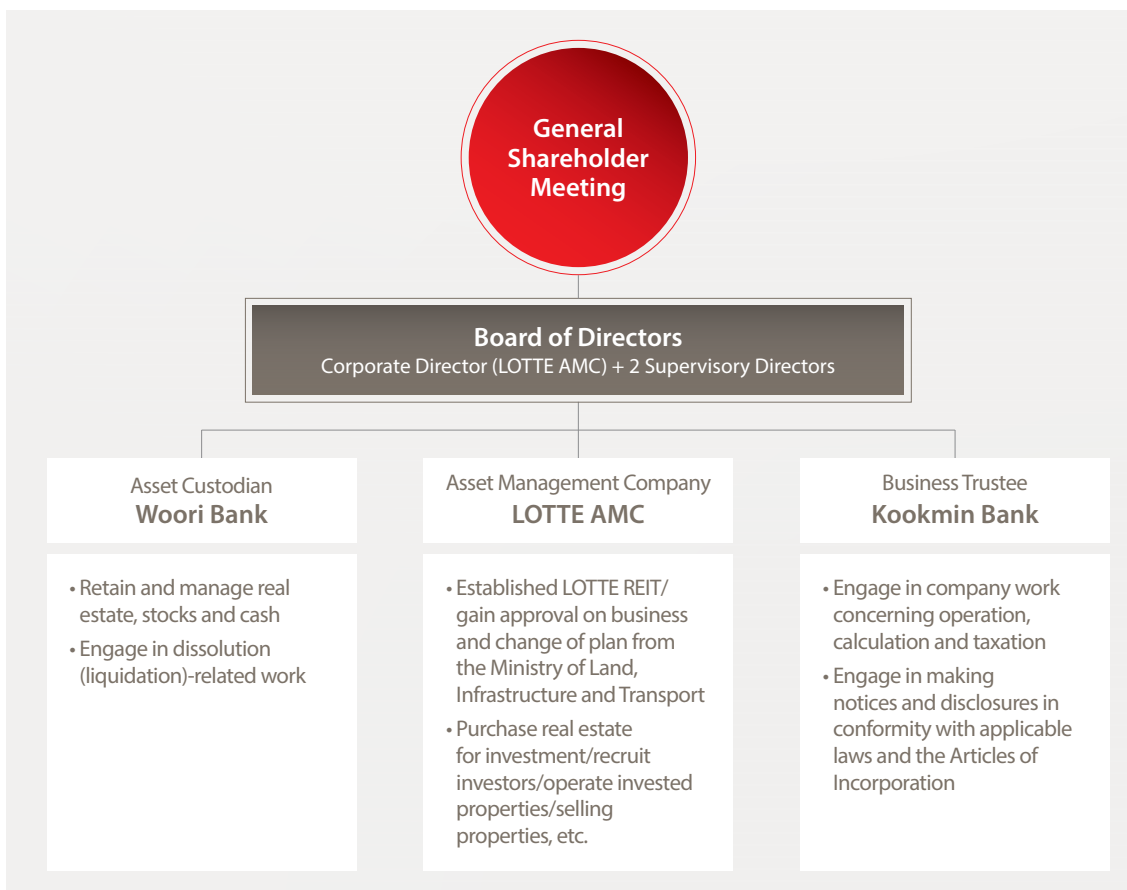
# Corporate Governance

## Promoting management accountability based on transparent governance

At LOTTE REIT, the general shareholder meeting and the Board of Directors serve as the highest decision-making body as stipulated in the Real Estate Trusts Act and the Commercial Law. Our asset manager, asset custodian and business trustee are all committed to transparent business conduct by fulfilling their role and responsibility pursuant to applicable laws and regulations.

### Board of Directors

Director	Name	Tenure	Current Position
Corporate Director	LOTTE AMC	Tenure not specified	LOTTE AMC
Supervisory Director	Shin Hee Kim	Mar. 2025	DR & AJU Ltd. (lawyer)
Supervisory Director	Kyung Jin Kang	Mar. 2025	Korea Listed Companies Association (Director, Certified Public Accountant)



## Business Management



### Joonyoung Kwon

CEO

—

#### 2019 ~ present

CEO, LOTTE AMC

#### 2014 ~ 2019

CEO, KOREIT Investment Management

#### 2013 ~ 2014

CEO, GE AMC Korea

#### 2008 ~ 2013

CIO, Executive Director, GE AMC Korea

#### 2006 ~ 2008

Acquisition Lender/Director, GE Real Estate Kore

#### 2001 ~ 2006

Acquisition Manager, GE Real Estate Korea

#### 2001

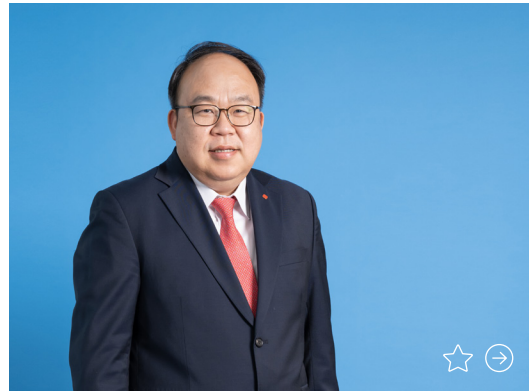
MSc Real estate/urban development,  
Harvard University

#### 1995

MSc Construction management,  
Stanford University

#### 1992

BSc Architectural engineering,  
Yonsei University



### Youngsung Kim

Head of REIT business

—

#### 2019 ~ present

Head of REIT business, LOTTE AMC

#### 2018 ~ 2019

REIT investment management head,  
Mirae Asset Global Investments

#### 2008 ~ 2017

REIT investment management manager,  
KORAMCO Asset Management

#### 2002 ~ 2008

Risk Management, Kolon E&C

#### 2002

BA Law, Hanyang University

# Risk Management

## Risk Management Goal and Policy

Our risk management is designed to identify potential risks – market risks (interest rate, price, F/X, etc.), credit risks, and liquidity risks that affect our financial performance – and reduce such risks to acceptable levels or eliminate and avoid them so that we generate stable and sustained business outcomes while improving our financial structure and the efficiency of funding operation to eventually elevate our corporate competitiveness.

As a real estate investment company, the purpose of our business is to create rental income through the real estate assets that we own and deliver continued and stable dividend returns to investors. To this end, we have signed long-term lease agreements with LOTTE Shopping and LOTTE Global Logistics that have top-tier credit ratings as master tenants to reduce vacancy risks. Furthermore, the Triple Net contractual structure whereby tenants pay maintenance upkeep, insurance premiums, taxes and utility charges allows us to minimize operational expenses to increase visibility into business outcomes while reducing the risk of rental income fluctuations.

To regularly monitor our financial risks concerning debt-to-equity ratio, debt-to-income ratio, and current ratio, we perform self-directed financial risk reviews on a quarterly basis. We also regularly develop mid/long-term fund management plans and review actual cash flow schedules to systematically manage liquidity risks in order to promptly predict and address potential risks.

## Risk Management Process

### Control

- If risks subject to management increase rapidly, analyze their causes and develop/implement measures to reduce such risks to appropriate levels

### Monitoring

- Regularly monitor to effectively respond to variations in risk in line with business and market conditions

### Measurement and Evaluation

- Measure and evaluate risks by type according to the size and characteristics of business subject to management
- When objective and reasonable measurement is not possible, evaluate risks through qualitative methodologies or reviews made by the BOD or the Risk Management Committee

### Recognition

- Identify a range of risks that may occur in relation to the management of owned/trusted assets and other business operations

## Conflict of Interest Prevention System

Procedure	Responsible Organization	Responsibility
Step 1	Risk Management Committee Compliance Officer	<ul style="list-style-type: none"> <li>• Conduct preliminary reviews on possible conflicts of interest concerning controlling shareholders, REITs and others</li> <li>• Deliberate and approve in relation to non-compliance with the Real Estate Trusts Act and other applicable laws as well as internal control standards and unfair transactions</li> </ul>
Step 2	Investment Review Committee	<ul style="list-style-type: none"> <li>• Review business feasibility</li> <li>• Explore risk factors and countermeasures</li> <li>• Decide on investment and asset management</li> </ul>
Step 3	Board of Directors	<ul style="list-style-type: none"> <li>• Make special decisions in relation to real estate transactions entered into with AMC's related parties and REITs (2/3 of BOD members)</li> <li>• Reflect the deliberation outcomes and opinions of the Risk Management Committee and the Investment Review Committee</li> </ul>

# Performance

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LOTTE REIT holds immense growth potential and achieves stable growth on the strength of efficient asset management.

## **38      Operation Review**

- Blue-chip master tenants and stable rental income
- Spread of risks through portfolio diversification
- Re-evaluation of owned assets for their real estate value
- Building long-term growth momentum
- Asset Portfolio

## **44      Portfolio Details**

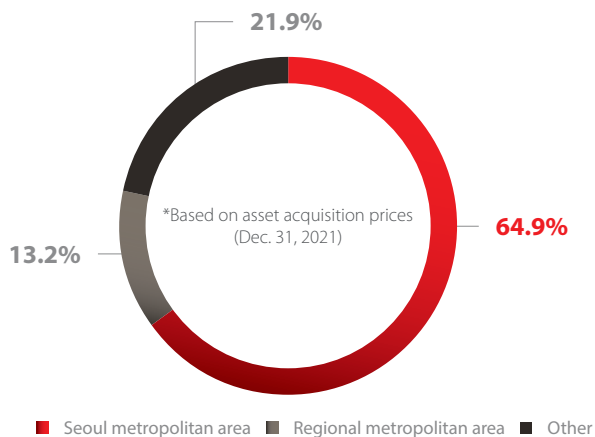
# Operation Review

LOTTE REIT was listed on the KOSPI market in October 2019 with eight assets worth KRW 1.5 trillion owned by LOTTE Shopping. We added seven additional assets in 2021 to solidify our position as Korea's leading REIT operating 15 assets and KRW 2.3 trillion in total AUM. Serving as an asset securitization channel for LOTTE Group, LOTTE REIT holds immense growth potential and achieves stable growth on the strength of efficient asset management.

## Blue-chip master tenants and stable rental income

All of LOTTE REIT's assets are managed in accordance with the master lease agreements it concluded with LOTTE Shopping and LOTTE Global Logistics as its sponsors and blue-chip tenants with top-notch credit ratings. This enables us to operate all our owned properties without concern over vacancy and to generate stable rental income on the back of long-term lease agreements, the triple-net\* lease structure and annual rental escalation.

### Portfolio Strategy 1. Focus on the Seoul Metropolitan Area

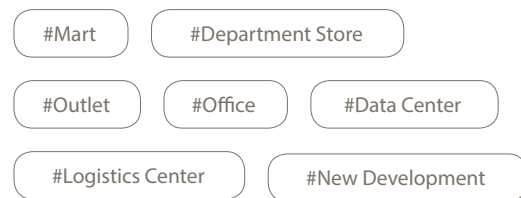


## Spread of risks through portfolio diversification

LOTTE REIT's portfolio includes a wide array of assets such as logistics centers, offices, and data centers as future growth drivers as well as retail assets. We also spread risks by focusing on the Seoul metropolitan area in designing our portfolio to distribute risks and improve our corporate and shareholder value.

In March 2021, we added a total of six new assets including the LOTTE Mart Mall Gimpo Logistics Center through a rights issue, and acquired the LOTTE Mart Yangpyeong Branch in December that year. Combining eight invested assets worth KRW 1.5 trillion with seven assets worth KRW 800 billion acquired this year, we have scaled-up our business as a large-size blue-chip anchor REIT with KRW 2.3 trillion in sheer asset size. In particular, the newly acquired logistics center demonstrates the potential to include new development assets along with wide-ranging assets owned by LOTTE Group all while pursuing qualitative and quantitative growth.

### Portfolio Strategy 2. Diversified Portfolio



\*Triple net lease: A triple net lease is a lease agreement whereby tenants pay management expenses of the property, including taxes and utility charges, insurance premiums and maintenance up-keep in addition to the cost of rent. LOTTE REIT has applied the triple net lease structure to the master lease agreements signed with LOTTE Shopping and LOTTE Global Logistics, which reduces the burden it shoulders as a property owner and helps maintain more stable dividend returns.



## Business Structure





## Re-evaluation of owned assets for their real estate value

Re-evaluating the assets that we own makes it possible to take strategic approaches including the acquisition of additional assets. (owned assets posting 5.1% in annual average increase of officially assessed land value between 2016 ~ 2021)

Our LTV (48.1%), which is at the industry's lowest level, contributes to increasing the credit limit in acquiring additional assets to eventually help us reduce capital increases. Our low debt-to-equity ratio and stable lease agreements are translated into high credit ratings (AA- for mortgage bonds) to create favorable financing conditions. This also protects us against increasing loan interest rates amid interest rate rises and declining dividend yields.

Our major assets of department stores, premium outlets and marts are mostly situated in key location across the Seoul metropolitan area. This further boosts the stability of our rental income generation while diversifying our asset portfolio, allowing us to flexibly respond to increasingly volatile retail market conditions.

### Real Estate Value Strategy

Asset value growth driven by prime locations



Acquisition of additional assets in prime locations



Asset revaluation to secure additional borrowing capacity



## Building long-term growth momentum

LOTTE REIT will incorporate a variety of assets – retail assets, logistics centers, offices, and data centers – on the back of the far-reaching real estate deal pipeline owned by LOTTE Group to establish long-term growth potential.

As of the end of 2021, we secured a total of KRW 8.7 trillion in LOTTE Group assets - KRW 8.2 trillion from LOTTE Shopping and KRW 0.5 trillion from LOTTE Global Logistics – through Right of First Offer agreements, and are preemptively seizing opportunity to participate in asset developments from their early phase.

### Establishing a high-quality deal pipeline

ROFO agreements with LOTTE Shopping and LOTTE Global Logistics



LOTTE Shopping's securitized/ leased assets



Offices, data centers and other assets owned by LOTTE Group



Other new development assets of LOTTE Group



## Asset Portfolio

The regional breakdown of our assets shows that 65% of our assets are located in the Seoul metropolitan area and 35% outside the area. By use, department stores account for 55%, marts 16%, outlets 12%, mixed-used assets (mart + outlet) 13% and logistics centers 4%.

As of the end of 2021, the weighted average lease expiry of our assets in their entirety amounted to 8 years and 1 months: the WALE is staggered across a total of six tranches to spread the risk of lease agreements reaching their termination all at once. Our management goal is to deliver stable dividends by acquiring assets in prime locations, securing highly reliable tenants, and creating a rental income structure with minimum volatility. The following shows our asset portfolio.

Tranche	Asset	GFA (㎡)	Acquisition Price(KRW in billion)	Ratio	Lease Expiry	Rental Rate		Master Tenant
						Fixed rent	Variable rent	
Tranche A	LOTTE Department Store Changwon Branch	140,977	2,468	10.7%	Oct. 2028			
	LOTTE Mart Uiwang Branch	36,879	1,376	6.0%				
	LOTTE Mart Jangyu Branch	38,838	575	2.5%				
	Sub-total		4,419	19.2%				
Tranche B	LOTTE Department Store Guri Branch	79,271	1,773	7.7%	Oct. 2029	5% of the acquisition price (1.5% annual escalation)	-	LOTTE Shopping
	LOTTE Mart/Outlet (West) Cheongju Branch	81,616	1,392	6.1%				
	LOTTE Mart/Outlet Daegu Yulha Branch	100,773	1,702	7.4%				
	Sub-total		4,867	21.2%				
Tranche C	LOTTE Department Store Gangnam Branch	67,517	4,249	18.5%	Oct. 2030			
	LOTTE Department Store Gwangju Branch	92,997	1,344	5.8%				
	Sub-total		5,593	24.3%				
Tranche D	LOTTE Department Store Jungdong Branch	93,419	1,717	7.5%	Mar. 2028	3.8% of the acquisition price (annual CPI-aligned escalation)	0.45% of the sales of the preceding year (※ 0.5% for the Gyeonggi Yangpyeong Branch)	LOTTE Shopping
	LOTTE Department Store Ansan Branch	54,887	986	4.3%				
	LOTTE Mart Gyeyang Branch	58,119	761	3.3%				
	LOTTE Mart Gyeonggi Yangpyeong Branch	9,977	346	1.5%				
	Sub-total		3,810	16.6%				
Tranche E	LOTTE Premium Outlet Icheon Branch	162,729	2,753	12.0%	Mar. 2032			
	LOTTE Mart Chuncheon Branch	40,570	610	2.7%				
	Sub-total		3,363	14.6%				
Tranche F	LOTTE Mart Mall Gimpo Logistics Center	30,870	955	4.2%	Mar. 2036	4.5% of the acquisition price (annual CPI-aligned escalation)	-	LOTTE Global Logistics
	Sub-total		955	4.2%				
Total		1,089,441	23,006	100%				

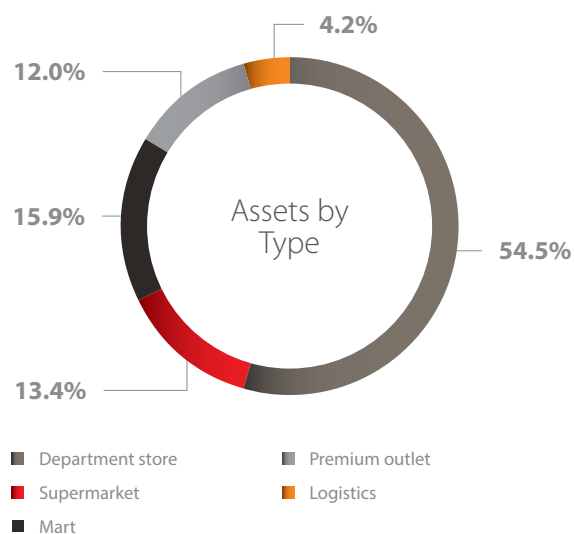
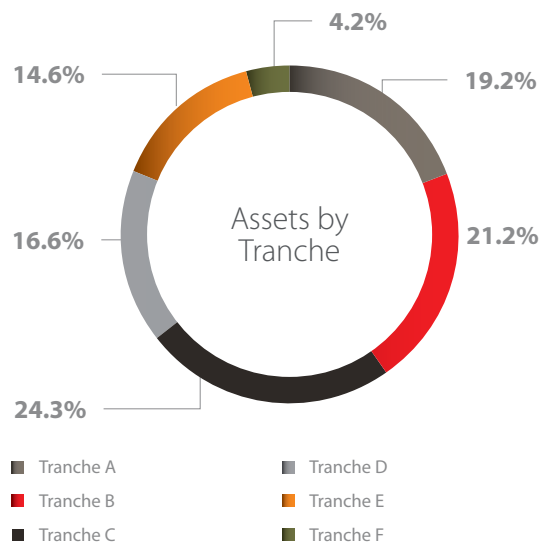
As of the end of 2021, our AUM reached KRW 2.3 trillion, the largest in Korea. We operate a total of 15 investment assets – 14 department, mart, and outlet stores and 1 logistics center – in six different tranches. The total gross floor area of these assets amounted to 1,089,441 m<sup>2</sup>, and their weighted average lease expiry was eight years and one month as of the end of 2021.

LOTTE REIT has LOTTE Shopping and LOTTE Global Logistics as its sponsors and pursues stable growth based on the long-term lease agreements signed with these key tenants.

- Triple net-structured master lease agreements signed for all of our assets operated in a total of 6 tranches
- Temporary risk of expiry minimized by setting tranche-based lease terms
- Assets comprising 65% of the total portfolio value located in the Seoul metropolitan area



## Assets Owned



## Portfolio Map





## LOTTE Department Store Changwon Branch

Changwon's largest department store located in its key commercial area

### Location

124, Jungang-daero, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

140,977m<sup>2</sup>

### Acquisition Price

KRW 246.8 billion

### Lease Term / WALE<sup>1</sup>

9 years / 6 years and 10 months

### Size

Main building: B5F / 6F

Young Plaza: B6F / 9F



## LOTTE Mart Uiwang Branch

A hypermarket located in a densely populated residential area with development upsides and a sizeable population

### Location

7, Gyewondaehak-ro, Uiwang-si, Gyeonggi-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

36,879m<sup>2</sup>

### Acquisition Price

KRW 137.6 billion

### Lease Term / WALE<sup>1</sup>

years / 6 years and 10 months

### Size

B1F / 6F



### LOTTE Mart Jangyu Branch

A hypermarket located in a densely populated residential area occupied by local residents with high spending power

#### Location

15, Beonhwa 1-ro 56beon-gil, Gimhae-si, Gyeongsangnam-do, Republic of Korea

#### Master Lease Tenant

LOTTE Shopping

#### GFA

38,838m<sup>2</sup>

#### Acquisition Price

KRW 57.5 billion

#### Lease Term / WALE<sup>1</sup>

9 years / 6 years and 10 months

#### Size

B1F / F5



### LOTTE Department Store Guri Branch

The only department store in the eastern Gyeonggi area with development upsides and abundant local demand

#### Location

261, Gyeongchun-ro, Guri-si, Gyeonggi-do, Republic of Korea

#### Master Lease Tenant

LOTTE Shopping

#### GFA

79,271m<sup>2</sup>

#### Acquisition Price

KRW 246.8 billion

#### Lease Term / WALE<sup>1</sup>

10 years / 7 years and 10 months

#### Size

B5F / 9F

### LOTTE Mart/Outlet (West) Cheongju Branch

A mixed-use retail asset located in an emerging residential area occupied by local residents with high spending power



#### Location

1004, 2sunhwan-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea

#### Master Lease Tenant

LOTTE Shopping

#### GFA

81,616m<sup>2</sup>

#### Acquisition Price

KRW 139.2 billion

#### Lease Term / WALE<sup>1</sup>

10 years / 7 years and 10 months

#### Size

B2F / 5F





### LOTTE Mart/Outlet Daegu Yulha Branch

A mixed-use retail asset located in a subway station area with access to a large local population

#### Location

80, Ansim-ro, Dong-gu, Daegu, Republic of Korea

#### Master Lease Tenant

LOTTE Shopping

#### GFA

100,773m<sup>2</sup>

#### Acquisition Price

KRW 170.2 billion

#### Lease Term / WALE<sup>1</sup>

10 years / 7 years and 10 months

#### Size

B2F / 6F



### LOTTE Department Store Gangnam Branch

The only department store in the mid-southern part of the Gangnam District with access to local residents with high spending power

#### Location

401, Dogok-ro, Gangnam-gu, Seoul, Republic of Korea

#### Master Lease Tenant

LOTTE Shopping

#### GFA

67,517m<sup>2</sup>

#### Acquisition Price

KRW 424.9 billion

#### Lease Term / WALE<sup>1</sup>

11 years / 8 years and 10 months

#### Size

Main building: B3F / 9F

Annex building: B2F / 7F



## LOTTE Department Store Jungdong Branch

The largest department store in the region located in its major commercial area and recognized for its competitiveness

### Location

300, Gilju-ro, Bucheon-si, Gyeonggi-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

93,419m<sup>2</sup>

### Acquisition Price

KRW 139.2 billion

### Lease Term / WALE<sup>1</sup>

7 years / 6 years and 3 months

### Size

B6F / 11F

## LOTTE Department Store Gwangju Branch

The largest department store in the region located in its largest commercial area and recognized for its competitiveness

### Location

268, Dongnip-ro, Dong-gu, Gwangju, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

92,997m<sup>2</sup>

### Acquisition Price

KRW 134.4 billion

### Lease Term / WALE<sup>1</sup>

11 years / 8 years and 10 months

### Size

B6F / 12F



## LOTTE Department Store Ansan Branch

The only department store in Ansan-si located in its largest key commercial area



### Location

12, Gojan 1-gil, Danwon-gu, Ansan-si, Gyeonggi-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

54,887m<sup>2</sup>

### Acquisition Price

KRW 98.6 billion

### Lease Term / WALE<sup>1</sup>

7 years / 6 years and 3 months

### Size

Main building: B5F / 6F

Annex building: B6F / 5F



## LOTTE Mart Gyeyang Branch

A hypermarket with development upsides and abundant local demand

### Location

822, Jangje-ro, Gyeyang-gu, Incheon, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

58,119m<sup>2</sup>

### Acquisition Price

KRW 76.1 billion

### Lease Term / WALE<sup>1</sup>

7 years / 6 years and 3 months

### Size

B2F / 7F



## LOTTE Mart Gyeonggi Yangpyeong Branch

A hypermarket supported by exceptional access to downtown Yangpyeong and a growing local population

### Location

A hypermarket supported by exceptional access to downtown Yangpyeong and a growing local population

### Master Lease Tenant

LOTTE Shopping

### GFA

9,977m<sup>2</sup>

### Acquisition Price

KRW 34.6 billion

### Lease Term / WALE<sup>1</sup>

7 years / 6 years and 3 months

### Size

B2F / 2F

## LOTTE Mart Chuncheon Branch

A hypermarket located in an emerging development zone occupied by residents with high spending power



### Location

84, Bangsong-gil, Chuncheon-si, Gangwon-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

40,570m<sup>2</sup>

### Acquisition Price

KRW 61.0 billion

### Lease Term / WALE<sup>1</sup>

11 years / 10 years and 3 months

### Size

B1F / 4F





## LOTTE Premium Outlet Icheon Branch

The only premium outlet in Icheon with high growth potential

### Location

177-74, Premium outlet-ro, Hobeop-myeon, Icheon-si, Gyeonggi-do, Republic of Korea

### Master Lease Tenant

LOTTE Shopping

### GFA

162,729m<sup>2</sup>

### Acquisition Price

KRW 275.3 billion

### Lease Term / WALE<sup>1</sup>

11 years / 10 years and 3 months

### Size

Baekjadong: B2F / 3F

Cheongjadong: B2F / 2F



## LOTTE Mart Mall Gimpo Logistics Center

A top-tier logistics center equipped with great accessibility and cutting-edge facilities

### Location

23, Arayuk-ro 182beon-gil, Gochon-eup, Gimpo-si, Gyeonggi-do, Republic of Korea

### Master Lease Tenant

LOTTE Global Logistics

### GFA

30,870m<sup>2</sup>

### Acquisition Price

KRW 95.5 billion

### Lease Term / WALE<sup>1</sup>

15 years / 14 years and 3 months

### Size

B1F / 6F

# Financials

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As of the end of December 2021, LOTTE REIT posted KRW 104.8 billion in operating revenue, up by 37% and KRW 35.4 billion in net income, up by 14% from the previous year while increasing its AUM to KRW 2.3 trillion.

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# Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 4, 2022.



**To the Shareholders and  
the Board of Directors of LOTTE REIT Co., Ltd.**

## Audit Opinion

We have audited the financial statements of LOTTE REIT Co., Ltd. (the "Company"), which comprise the statement of financial position as of December 31, 2021, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

## Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the 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 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.

## Other Matters

The financial statements of the Company as of and for the six months ended June 30, 2020, were audited by Ernst & Young Han Young, in accordance with the KSAs, whose audit report dated September 10, 2020, expressed an unmodified opinion on those financial statements, not presented herein. In addition, we have audited the statement of financial position of the Company as of December 31, 2020, and the related statements of comprehensive income, changes in equity and cash flows for the six months then ended, in accordance with Korean Standards on Auditing. We expressed a modified opinion on those financial statements, not presented herein, in our audit report dated March 4, 2021. The statement of financial position as of December 31, 2020, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2020.



# Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 4, 2022.

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

Management is responsible for the preparation of the accompanying financial statements in accordance with KIFRS, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Company 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's are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 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 continuing as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Moo Song Lee.

**NEXIA SAMDUK**

**M. C. KIM**  
**C P A**  
**Managing Partner**

March 4, 2022  
Seoul, Korea

This report is effective, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time of the auditor's report. Such events or circumstances could significantly affect the statements and may result in modifications to the auditor's report.

# Statement of Financial Position

As of December 31, 2021 and 2020

LOTTE REIT Co., Ltd.

			(in Korean won)
	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,19,20,22 ₩	7,397,904,272	18,996,963,217
Trade and other receivables	3,4,21,22	10,408,027,367	7,087,164,279
Other financial assets	3,5,22	37,587,368,324	16,536,360,942
Income tax refund receivables		23,251,310	22,062,030
		55,416,551,273	42,642,550,468
<b>Non-current assets</b>			
Investment properties	6,7,20,21	2,348,478,723,982	1,531,220,967,908
		2,348,478,723,982	1,531,220,967,908
<b>Total assets</b>		<b>2,403,895,275,255</b>	<b>1,573,863,518,376</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings and debentures	3,6,7,19,20,22	646,204,532,923	-
Other payables	3,8,22	1,806,230,000	110,000,000
Other financial liabilities	3,9,21,22	5,660,196,082	4,427,499,914
Other non-financial liabilities	10,21	3,944,136,232	3,963,009,746
		657,615,095,237	8,500,509,660
<b>Non-current liabilities</b>			
Borrowings and debentures	3,6,7,19,20,22	486,666,633,707	643,935,359,269
Other financial liabilities	3,9,21,22	87,836,460,863	58,219,264,304
Other non-financial liabilities	10	18,699,817,653	14,143,719,903
		593,202,912,223	716,298,343,476
<b>Total liabilities</b>		<b>1,250,818,007,460</b>	<b>724,798,853,136</b>
<b>Equity</b>			
Share capital	11,21	121,484,442,000	85,984,442,000
Capital surplus	11,21	1,060,932,527,812	766,009,139,803
Retained earnings	12	(29,339,702,017)	(2,928,916,563)
<b>Total equity</b>		<b>1,153,077,267,795</b>	<b>849,064,665,240</b>
<b>Total liabilities and equity</b>		<b>2,403,895,275,255</b>	<b>1,573,863,518,376</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

# Statement of Comprehensive Income

For the period ended December 31, 2021 and 2020

LOTTE REIT Co., Ltd.

(in Korean won)

	Notes	2021	2020
Revenue	6,14,21	₩ 104,822,058,689	76,420,331,733
Operating expenses	15,21	43,023,549,361	28,365,853,106
Operating profit		61,798,509,328	48,054,478,627
Finance income	17	292,461,655	241,613,852
Finance costs	17	26,706,564,560	17,289,953,666
Other income	16	35,959	155,028,104
Other expenses	16	13	21
Profit before income tax		35,384,442,369	31,161,166,896
Income tax expense	18	-	-
Profit for the period		35,384,442,369	31,161,166,896
Other comprehensive income		-	-
Total comprehensive income		₩ 35,384,442,369	31,161,166,896
Earnings per share			
Basic/Diluted earnings per share	13	₩ 155	₩ 181

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the period ended December 31, 2021 and 2020

LOTTE REIT Co., Ltd.

(in Korean won)

	Retained			Total equity
	Share capital	Capital surplus	earnings	
<b>Balance at January 1, 2020</b>	₩ 85,984,442,000	766,006,282,373	10,275,379,315	<b>862,266,103,688</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Dividends	-	-	(44,365,462,774)	<b>(44,365,462,774)</b>
Reversal of payment related to issuance of shares	-	2,857,430	-	<b>2,857,430</b>
<b>Total transaction with owners of the Company</b>	-	2,857,430	(44,365,462,774)	<b>(44,362,605,344)</b>
<b>Total comprehensive income</b>				
Profit for the period	-	-	31,161,166,896	<b>31,161,166,896</b>
<b>Total comprehensive income</b>	-	-	31,161,166,896	<b>31,161,166,896</b>
<b>Balance at December 31, 2020</b>	₩ 85,984,442,000	766,009,139,803	(2,928,916,563)	<b>849,064,665,240</b>
<b>Balance at January 1, 2021</b>	₩ 85,984,442,000	766,009,139,803	(2,928,916,563)	<b>849,064,665,240</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Capital increase by issuing new stocks	35,500,000,000	294,923,388,009	-	<b>330,423,388,009</b>
Dividends	-	-	(61,795,227,823)	<b>(61,795,227,823)</b>
<b>Total transaction with owners of the Company</b>	35,500,000,000	294,923,388,009	(61,795,227,823)	<b>268,628,160,186</b>
<b>Total comprehensive income</b>				
Profit for the period	-	-	35,384,442,369	<b>35,384,442,369</b>
<b>Total comprehensive income</b>	-	-	35,384,442,369	<b>35,384,442,369</b>
<b>Balance at December 31, 2021</b>	₩ 121,484,442,000	1,060,932,527,812	(29,339,702,017)	<b>1,153,077,267,795</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the period ended December 31, 2021 and 2020

LOTTE REIT Co., Ltd.

(in Korean won)

	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Profit for the period		₩ 35,384,442,369	31,161,166,896
Adjustments to income and expenses	19	61,417,535,699	39,551,807,090
Changes in operating assets and liabilities	19	33,732,901,475	934,163,937
Income taxes received(paid)		(1,189,280)	76,342,880
<b>Net cash provided by operating activities</b>		<b>130,533,690,263</b>	<b>71,723,480,803</b>
<b>Cash flows from investing activities</b>			
Interest received		241,454,273	211,301,630
Acquisition tax refund		-	4,645,042,420
Proceeds from sale of short-term financial assets		73,500,000,000	10,010,000,000
Purchase of short-term financial assets		(94,500,000,000)	(26,500,000,000)
Acquisition of investment properties		(854,744,486,064)	-
<b>Net cash used in investing activities</b>		<b>(875,503,031,791)</b>	<b>(11,633,655,950)</b>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings	19	34,576,000,000	-
Proceeds from long-term borrowings	19	454,410,825,000	-
Proceeds from issue of share capital		333,345,000,000	-
Issuance of debentures	19	30,893,710,000	-
Reversal of payment related to issuance of debentures		-	15,817,327
Reversal of payment related to issuance of shares		-	2,857,430
Repayment of short-term borrowings		(34,576,000,000)	-
Payment for the issue of shares		(2,921,611,991)	-
Interest paid		(20,562,412,603)	(13,547,285,447)
Dividends paid	12	(61,795,227,823)	(44,365,462,774)
<b>Net cash provided by financing activities</b>		<b>733,370,282,583</b>	<b>(57,894,073,464)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(11,599,058,945)</b>	<b>2,195,751,389</b>
Cash and cash equivalents at the beginning of the period		18,996,963,217	16,801,211,828
<b>Cash and cash equivalents at the end of the period</b>		<b>₩ 7,397,904,272</b>	<b>18,996,963,217</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.



# Notes to the Financial Statements

As of December 31, 2021 and 2020

LOTTE REIT Co., Ltd.

## 1. General Information

LOTTE REIT Co., Ltd. (the "Company") was established on March 29, 2019 as a real estate investment trust company with limited liability under the laws of the Republic of Korea. On May 14, 2019, the Company obtained the requisite authorization to conduct business as a management entrusted REIT from the Ministry of Land, Infrastructure and Transportation of Korea.

The Company's main purpose of business is to distribute to shareholders the profits earned from investing and operating assets through acquisition, management, improvement and disposal of real estate, leasing of real estate, and development of real estate. The Company's head office is located at 30F, Lotte World Tower 300, Olympic-ro, Songpa-gu Seoul 05551, Korea, and was listed on the Korea Stock Exchange as of October 30, 2019.

The Company's shareholders as of December 31, 2021 is as follows:

Shareholders	Number of Shares Owned	Percentage of ownership (%)
Lotte Shopping Co., Ltd.	121,484,442	50.0
Others	121,484,442	50.0
	242,968,884	100.0

## 2. Basis of Accounting

### (1) Basis of Preparation

The Company's financial statements have been prepared in accordance with Korean International Financial Reporting Standards (hereinafter referred to as "K-IFRS" or "Korean IFRS") established in accordance with the 'Act on External Audit of Corporations, etc.'

Significant accounting policies applied to the preparation of financial statements are described below, and significant accounting policies applied to the preparation of current financial statements are the same as those adopted in the previous year, except for the introduction of standards or interpretations described below.

The financial statements have been prepared on a historical cost basis. Historical cost is generally measured at the fair value of the consideration paid to acquire the asset.

### (2) Changes in Accounting Policies and Disclosures

The significant accounting policies adopted for preparing the financial statements are the same as those adopted when preparing the annual financial statements for the fiscal period ended December 31, 2020. The Company has not applied early standards, interpretations or amendments that have been published but have not been implemented.



The new accounting standards and interpretations from January 1, 2021 and the changes in accounting policies are as follows.

① Amendments to K-IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

② Amendments to K-IFRS 1109 Financial Instruments, K-IFRS 1039 Financial Instruments: Recognition and

Measurement, K-IFRS 1107 Financial Instruments: Disclosure, K-IFRS 1104 Insurance Contracts and K-IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjusting effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and applying hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

③ Amendment to K-IFRS 1116 - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

**(3) New standards and interpretations not yet adopted by the Company**

The following new accounting standards and interpretations that are not mandatory for the annual reporting period commencing on January 1, 2021 and have not been early adopted by the Company.

① Amendments to K-IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and K-IFRS 2121 Levies. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

② Amendments to K-IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

③ Amendments to K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

④ Amendments to K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments. However, it excludes the option to settle the liability by the entity's own equity instruments when the option meets the definition of equity instruments and is recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑤ New Standard: K-IFRS 1117 Insurance Contract

The principles of coverage, recognition, measurement, presentation and disclosure of insurance Contract have been established. This standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. This standard is not expected to apply to the Company.

⑥ K-IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to K-IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 Disclosure of Accounting Policies to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑦ K-IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑧ K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

⑨ Annual improvements to K-IFRS 2018-2020

Annual improvements of K-IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- K-IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- K-IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- K-IFRS 1116 Leases – Lease incentives
- K-IFRS 1041 Agriculture – Measuring fair value

#### (4) Significant Accounting Policies

##### 1) Leases

The Company determines whether the contract itself is a lease or includes a lease at the inception of the lease, considering whether it transfers the right to control the use of the identified asset for a period of time in exchange for consideration in the contract.

##### 1.1) Lessor

Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Revenue from leases is recognized on a straight-line basis over the lease term and is included in operating income in the statement of income depending on the nature of the business. Direct costs for lease opening in the process of entering into an operating lease are added to the carrying amount of the underlying asset, and are recognized as an expense over the lease term on the same basis as the revenue recognition of operating leases.

##### 2) Financial instruments - initial recognition and subsequent measurement

Financial instruments are any contract that creates financial assets for one of the parties to a transaction and financial liabilities or equity instruments for the other party to the transaction.

##### 2.1) Financial Assets

##### 2.1.1) Initial recognition and measurement

The Company classifies its financial assets in the following measurement categories:

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

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

With the exception of trade receivables that do not contain a significant financial component or for which the practical expedient is applied, the Company initially measures financial assets at fair value, and adds or subtracts transaction costs unless it is a financial asset that is measured at fair value through profit or loss. Trade receivables

that do not include a significant financing component or that apply the practical expedient are measured at the transaction price determined in accordance with K-IFRS 1115.

To measure financial assets at amortized cost or fair value through other comprehensive income, contractual cash flows where those cash flows represent solely payments of principal and interest only (SPPI). This assessment is called the SPPI test and is performed at the individual product level.

The Company's business model for the management of financial assets relates to how financial assets are managed to generate cash flows. The business model determines whether the source of cash flows is the receipt, transfer, or both of the contractual cash flows of a financial assets.

Regular way purchases and sales of financial assets (standardized transaction) that are required to transfer the financial assets within a time frame established by market agreements or regulations are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

#### 2.1.2) Subsequent measurement

The Company classifies financial assets into the following four categories for subsequent measurement.

- Financial assets measured at amortized cost (Debt instruments)
- Financial assets measured at fair value through other comprehensive income for which accumulated gains and losses are recirculated to profit or loss (Debt instruments)
- Financial assets measured at fair value through other comprehensive income that do not recirculate accumulated gains or losses to profit or loss upon derecognition (Equity instruments)
- Financial assets measured at fair value through profit or loss

#### 2.1.3) Financial assets measured at amortized cost (Debt instruments)

Financial assets measured at amortized cost are subsequently measured using the effective interest rate (EIR) method and impairment is recognized. Profits and losses arising from the derecognition, change or impairment of an asset are recognized in profit or loss.

Financial assets measured at amortized cost include trade receivables and deposits included in short-term financial assets.

#### 2.1.4) Financial assets measured at fair value through other comprehensive income (Debt instruments)

The Company measures debt instruments that satisfy all of the following criteria as financial assets at fair value through other comprehensive income.

- Assets that are held for collection of contractual cash flows and for selling the financial assets
- Assets' cash flows represent solely payments of principal and interest

For debt instruments measured at fair value through other comprehensive income, interest income, foreign currency translation gains and losses, and impairment or reversal are calculated in the same way as financial assets measured at amortized cost and recognized in profit or loss. The remaining changes in fair value are recognized in other comprehensive income. When financial assets are derecognized, the accumulated change in fair value recognized in other comprehensive income is recirculated to profit or loss.

There are no financial instruments that the Company classifies as debt instruments measured at fair value through other comprehensive income.



#### 2.1.5) Financial assets measured at fair value through other comprehensive income (Equity instruments)

At initial recognition, the Company has made an irrevocable choice to measure equity instruments that meet the definition of equity in K-IFRS 1032 'Financial Instruments Presentation' and are not held for investment purposes at fair value through other comprehensive income.

Profits and losses from these financial assets are not recirculated to profit or loss. Dividends are recognized in the statement of income as other income and treated in other comprehensive income when the right to receive dividends is established, except when the Company obtains a profit by recovering a portion of the cost of the financial asset. Impairment loss on equity investments measured at fair value through other comprehensive income are not recognized.

The Company can make irrevocable choices even for unlisted equity instruments.

#### 2.1.6) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include short-term trading items, financial assets designated for measurement at fair value through profit or loss upon initial recognition, or financial assets that are required to be measured at fair value. Financial assets acquired for the purpose of selling or repurchasing within a short period of time are classified as short-term trading items. Derivatives, including segregated embedded derivatives, are classified as held for trading unless designated as an effective hedging instrument. Financial assets whose cash flows do not consist solely of principal and interest payments are classified and measured as financial assets measured at fair value through profit or loss, regardless of business model. To measure a debt instrument at fair value through profit or loss if, as described in the paragraph above, the accounting mismatch can be eliminated or significantly reduced despite the fact that the instrument is classified as financial assets at amortized cost or at fair value through other comprehensive income, can be specified

Financial assets measured at fair value through profit or loss are presented at fair value in the statement of financial position, and net changes in fair value are recognized in profit or loss in the statement of income.

This category includes derivatives and publicly traded equity instruments that do not have an irrevocable option to treat changes in fair value in other comprehensive income. Dividends on listed equity instruments are recognized in profit or loss when rights are established.

In a hybrid contract where its host contract is a financial asset, its embedded derivative is not separately accounted for. A financial asset and its embedded derivative are classified as financial assets measured at fair value through profit or loss in their entirety.

#### 2.1.7) Derecognition

Financial assets (or part of a financial asset or part of a group of similar financial assets) are primarily derecognized in the following circumstances.

- Expiration of the right to receive cash flows from financial assets
- The Company has an obligation to transfer the right to receive cash flows of financial assets or to pay the entire cash flows received under a pass-through contract to a third party without significant delay. In this case, the Company neither transfers most of the risks and rewards of holding financial assets nor transfers most of the risks and rewards of holding financial assets, but transfers control of the assets.

When the Company transfers the right to receive the cash flows of a financial asset or enters into a pass-through



agreement, it assesses whether it retains the risks and rewards of owning the asset. If the Company has neither retained nor transferred substantially all of the risks and rewards of a financial asset, it continues to recognize the financial asset to the extent that it continues to be involved. In this case, the Company recognizes an associated liability. Liabilities related to transferred assets are measured by reflecting the rights and obligations that the Company has.

Continuing involvement, which provides a guarantee, is measured as the lower of the carrying amount of the assets transferred and the maximum amount of potential repayment in the future.

#### 2.1.8) Impairment

Detailed disclosures related to impairment of financial assets are provided in the notes below.

- Disclosure on significant assumptions
- Debt instruments measured at fair value through other comprehensive income
- Trade receivables including contract assets

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments, except for items at fair value through profit or loss. Expected credit losses are estimated by discounting the difference between the contractually agreed cash flows and all cash flows expected to be received, discounted at the initial effective interest rate. Expected cash flows include cash flows from the disposal of collateral held or from other credit enhancements that are essential terms of the contract.

Expected credit losses are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses reflects credit loss (12- month expected credit loss) arising from default events that are likely to occur within the next 12 months. For credit exposures for which there is a significant increase in credit risk since initial recognition, the loss allowance is required to measure expected credit loss for the remaining life of the exposure (full-period expected credit losses) regardless of when a default event occurs.

For trade receivables and contract assets, the Company may apply the simplified approach to the calculation of expected credit loss. Accordingly, the Company does not track changes in credit risk, but recognizes loss allowance at the end of each reporting period in an amount equivalent to lifetime expected credit loss. The Company establishes a provisioning rate table based on past credit losses experience adjusted to reflect future prospects for specific debtors and economic environment.

For debt instruments measured at fair value through other comprehensive income, the Company applies the low credit risk expedient method. At the end of each reporting period, the Company evaluates the credit risk of its debt instruments using all reasonable and supportable information available without undue cost or effort. For this evaluation, the Company re-evaluates the internal credit rating of debt instruments. In addition, the Group considers whether there is a significant increase in credit risk when the contractual payment exceeds 30 days.

If the Company's debt instruments measured at fair value through other comprehensive income consist only of listed bonds with the highest credit ratings, they are considered low-credit risk investments. The Company's policy is to measure these instruments at 12-month ECL. However, if there is a significant increase in credit risk after initial recognition, the loss allowance is calculated based on the total period expected credit loss. The Company uses ratings from credit rating agencies to determine whether the credit risk of debt instruments has significantly increased and to measure expected credit losses.

The Company treats the contractual payment as default if it is overdue for more than 90 days. However, in certain circumstances, the Company may be deemed to have defaulted on a financial asset when internal or external information indicates that the Company will not be able to receive its full contractual principal until all credit



enhancements by the Company have been taken into account. Financial assets are derecognized when there is no reasonable expectation to recover contractual cash flows.

## 2.2) Financial liabilities

### 2.2.1) Initial recognition and measurement

Financial liabilities are appropriately classified on initial recognition as financial liabilities measured at fair value through profit or loss, loans and borrowings, payables or derivatives designated as an effective hedging instrument.

All financial liabilities are initially recognized at fair value and directly related transaction costs are deducted for loans, borrowings and payables.

The Company's financial liabilities include trade and other payables, borrowings and debentures.

### 2.2.2) Subsequent measurement

The measurement of financial liabilities follows the classifications mentioned below.

### 2.2.3) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities for short-term trading and financial liabilities designated to be measured at fair value through profit or loss on initial recognition.

Financial liabilities are classified as short-term trading if they are repurchased within a short period of time. This category also includes derivatives that are not designated as hedging instruments in a hedging relationship as defined in K-IFRS 1109. In addition, segregated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities that are short-term trading items are recognized in profit or loss.

Financial liabilities designated at fair value through profit or loss are designated only at the time of initial recognition if the criteria in K-IFRS 1109 are met. The Company does not designate any financial liabilities at fair value through profit or loss.

### 2.2.4) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains or losses on derecognition of liabilities or amortization using the effective interest rate method are recognized in profit or loss. Amortized cost is calculated by taking into account any discounts or premiums on fees or costs that are an integral part of the effective interest rate. This category generally applies to interest-bearing loans or borrowings.

### 2.2.5) Derecognition

Financial liabilities are derecognized when payment obligations are discharged, canceled or expired. If an existing financial liability is exchanged for a financial liability with the same borrower but with substantially different terms, or if the terms of the existing liability are materially changed, such exchange or change results in the derecognition of the original liability and the recognition of a new liability. Any difference in carrying amount is recognized in profit or loss.

#### 2.2.6) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

### 3) Investment Property

Investment property is measured at acquisition cost plus related transaction costs, and includes replacement cost that meets the criteria for recognition as an asset when incurred. However, costs incurred in day-to-day management activities are recognized as expenses when incurred. The Company applies the cost model when measuring investment property.

Investment property is derecognized from the statement of financial position when the investment property is disposed of (i.e. the date when the acquirer gains control of the property) or when it is expected that future economic benefits will no longer be obtained from its use. The difference between the net disposal consideration and the carrying amount of investment property is recognized in profit or loss at the time of derecognition. The consideration (amount) to be included in the profit or loss arising from the derecognition of investment property is calculated in accordance with K-IFRS 1115, the transaction price calculation requirements.

In addition, only when the purpose of use of the asset is changed, investment property is transferred to another account or from another account to investment property. When investment property is transferred to self-used property (tangible assets), amortized cost at the time the purpose of use is changed is applied as deemed cost.

### 4) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets other than goodwill, the Company evaluates whether previous impairment losses on assets are no longer present or have decreased at the end of each reporting period, and if there are such indications, the recoverable amount is estimated. When there is a change in the estimate used to determine the recoverable amount of the asset since the recognition of previous impairment losses, the maximum amount of impairment losses that can be reversed is limited to the amount necessary to restore the asset to its pre-impairment carrying amount, less any subsequent depreciation or amortization that would have been recognized. If the asset's carrying amount exceeds its recoverable amount, the asset is deemed impaired and its carrying amount is reduced to its recoverable amount.

Value in use is determined by discounting the estimated future cash flows expected to be generated by the asset at a pre-tax discount rate that reflects the market's assessment of the time value of money and the risks specific to the asset. The fair value less costs to sell takes into account the most recent transaction price. If no such transaction is identified, it is determined using an appropriate valuation model. Valuation multiples, market price of listed stocks, or other fair value indicators are used in these calculations.

The Company calculates the amount of impairment based on specific financial budgets or forecasts prepared for each CGU to which individual assets are allocated. Financial budgeting or forecasting generally covers a period of five years, and for longer periods, long-term growth rates are calculated and applied to periods beyond five years.

Impairment loss is recognized in profit or loss as an expense account consistent with the function of the impaired asset. However, if there is a previously recognized revaluation surplus as an asset to which the revaluation model is applied, it is offset against the revaluation surplus to the limit of the previous revaluation amount.

For assets other than goodwill, the Company evaluates whether previous impairment losses on assets are no longer



present or have decreased at the end of each reporting period, and if there are such indications, the recoverable amount is estimated. When there is a change in the estimate used to determine the recoverable amount of the asset since the recognition of previous impairment losses, the maximum amount of impairment losses that can be reversed is limited to the amount necessary to restore the asset to its pre-impairment carrying amount, less any subsequent depreciation or amortization that would have been recognized.

## 5) Measurement of fair value

The Company discloses non-financial assets, such as investment property, at their fair values as of the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date. Fair value measurement assumes that a transaction to sell an asset or transfer a liability takes place in one of the following markets:

- The main market for assets or liabilities
- The most advantageous market if there is no main market for assets or liabilities
- The Company must have access to the main (or most advantageous) market.

The fair value of an asset or liability is measured based on the assumptions market participants use when pricing the asset or liability under the assumption that market participants make their best efforts for the economic benefit.

When measuring the fair value of a non-financial asset, the market participant's ability to best use the asset or sell the asset to another market participant who will best use the asset to generate economic benefits is taken into account.

The Company uses valuation methods that are appropriate to the circumstances and for which sufficient data are available to measure fair value while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date
- Level 2: All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability
- Level 3: Unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Disclosures on the fair values of financial instruments and non-financial assets that are measured or disclosed at fair value are described in the notes below.

- Note 6 – Investment Property

**6) Dividends**

The Company recognizes a liability when the distribution is authorized to pay the dividend and the Company no longer has the discretion to pay the dividend. Distributions to shareholders require approval by the shareholders. Dividends are recognized directly in equity.

In accordance with the Real Estate Investment Company Act in force as of the end of the reporting period, Article 458 of the Commercial Act, which stipulates the obligation to accumulate profit reserves when dividends are distributed, is excluded. In addition, as Article 462 of the Commercial Act is excluded by the Real Estate Investment Company Act, dividends in excess of profits may be distributed within the scope of depreciation for the current year.

**7) Income Taxes**

If the Company decide to pay dividends at least 90% of the distributable profits in accordance with Corporate Tax Act Article 51-2 Income Deductions for Special Purpose Companies, etc., the Company can deduct such amount of dividends when calculating the taxable profit for the fiscal year. Therefore, the current tax expense has not occurred because there is no corporate tax to be paid by the Company in fact.

**8) Cash and Cash Equivalents**

Cash and cash equivalents on the statement of financial position consist of ordinary deposits and short-term deposits with maturities of less than three months at the time of acquisition.

**9) Use of Significant Accounting Judgments, Estimates and Assumptions**

In applying the Company's accounting policies described in Note 2, management should make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be readily identified from other sources. Accordingly, actual results may differ from these estimates.

Estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognized in the period in which the change is made if the effect of the change is only for that period, and in the period in which the change is made and in future periods if the effect of the change is on both current and future periods.

**3. Financial Instruments by Category**

- (1) There are no financial assets that are measured at fair value. Financial assets that are measured at amortized cost as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Financial assets at amortized cost(*1)	₩ 7,397,904	18,996,963
Cash and cash equivalents Trade and other receivables(*2)	10,408,027	7,087,164
Other financial assets(*3)	37,587,368	16,536,361
Total	₩ 55,393,299	42,620,488

(\*1) Differences between fair value and carrying amount of financial assets of amortized cost are immaterial.

(\*2) Trade and other receivables consist of trade receivables and other receivables.

(\*3) Other financial assets consist of short-term financial instruments and accrued income.

- (2) There are no financial liabilities that are measured at fair value. Financial liabilities that are measured at amortized cost as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		December 31, 2021	December 31, 2020
Financial liabilities at amortized cost(*1)	₩	1,132,871,167	643,935,359
Borrowings and debentures Other payables(*2)		1,806,230	110,000
Other financial liabilities(*3)		93,496,657	62,646,764
Total	₩	1,228,174,054	706,692,123

(\*1) Differences between fair value and carrying amount of financial assets of amortized cost are immaterial.

(\*2) Other payables consist of non-trade payables.

(\*3) Other financial liabilities consist of accrued expenses and leasehold deposits received.

#### 4. Trade and Other Receivables

- (1) Trade and other receivables as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		December 31, 2021		
		Trade receivables	Other receivables	Total
Carrying amount	₩	10,189,016	219,011	10,408,027
Allowance for doubtful accounts		-	-	-
Net carrying amount	₩	10,189,016	219,011	10,408,027

(in thousands of Korean won)

		December 31, 2020		
		Trade receivables	Other receivables	Total
Carrying amount	₩	6,921,397	165,767	7,087,164
Allowance for doubtful accounts		-	-	-
Net carrying amount	₩	6,921,397	165,767	7,087,164

- (2) In relation to trade and other receivables, the Company periodically reevaluates the customer's creditworthiness, reviews the credit transaction limit, and readjusts the level of collateral.

The Company judges the uncertainty in collecting bonds in the past, sets bad debts, and recognizes the difference between the recoverable value and the book value calculated by calculating the recoverable amount through individual analysis as damage losses. In determining the possibility of recovery of trade and other receivables, the Company is considering a change in credit rating for trade and other receivables from the start date of credit offering to the end of the reporting period.



- (3) As of the end of the current and the previous year, there are no trade and other receivables that have been overdue but have not been damaged.
- (4) There is no change in the allowance for doubtful accounts of trade and other receivables during the current and previous years.

## 5. Other Financial Assets

Other Financial assets as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Accrued income	₩ 87,368	36,361
Short-term financial instruments	37,500,000	16,500,000
	₩ 37,587,368	16,536,361

## 6. Investment Property

(1) Investment property as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2020			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land(*1)	₩ 1,427,084,774	-	1,427,084,774	976,956,278	-	976,956,278
Buildings(*1)	989,541,961	(68,148,011)	921,393,950	584,925,971	(30,766,930)	554,159,041
Construction in progress	-	-	-	105,649	-	105,649
	₩ 2,416,626,735	(68,148,011)	2,348,478,724	1,561,987,898	(30,766,930)	1,531,220,968

(\*1) As of December 31, 2021, the above land and buildings are provided as collateral in relation to borrowings and debentures, and a part of the land is for the use of nearby subway passageways, protection of intercepting pipes and manholes. The superficies have been established (refer to Note 20).

(2) Changes in investment property for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021				
	Beginning balance	Acquisitions(*1)	Depreciation	Reclassification	Ending balance
Land(*1)	₩ 976,956,278	450,022,847	-	105,649	1,427,084,774
Buildings(*1)	554,159,041	404,615,990	(37,381,081)	-	921,393,950
Construction in progress	105,649	-	-	(105,649)	-
	₩ 1,531,220,968	854,638,837	(37,381,081)	-	2,348,478,724

(in thousands of Korean won)

2020					
	Beginning balance	Acquisitions(*1)	Depreciation	Reclassification	Ending balance
Land(*1)	₩ 980,755,853	-	-	(3,799,575)	976,956,278
Buildings(*1)	579,304,038	-	(24,454,440)	(690,557)	554,159,041
Construction in progress	-	105,649	-	-	105,649
	₩ 1,560,059,891	105,649	(24,454,440)	(4,490,132)	1,531,220,968

(\*1) The other amount is the reduction in the book amount due to the refund of acquisition tax.

## (3) Income and expense from investment property

The details of income and expense from investment property for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Rental income	₩ 104,822,059	76,420,332
Direct operating expenses(*1)	42,161,743	27,785,466

(\*1) Direct operating expenses include depreciation, asset management fee, asset custody fee and business trustee fee.

## (4) Fair value of investment property as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Land, Buildings (Daechi-Dong 937 etc., Gangnam-gu, Seoul)	₩ 2,348,478,724	2,300,806,000	1,531,220,968	1,487,806,000

- (5) The fair value of investment properties is measured using Income Approach Method, Cost Approach Method, and Market Approach Method, and some assumptions that are not based on observable market prices or indicators are used to estimate future cash flows, such as assumptions or estimates for rent increase rates, vacancy rates, and discount rates for calculating the present value of future cash flows. If the rent increase rate rises and the vacancy rate and discount rate fall, the fair value of the investment property will increase. The Company classified the fair value measurement of investment property as Level 3 in the fair value hierarchy as it determined that the above-mentioned major assumptions and estimates had a significant effect on the fair value of investment real estate.

The fair value of the real estate used by the Gangnam branch, Guri branch, Gwangju branch, Changwon branch, Yulha branch, Cheongju branch, Uiwang branch, and Jangyu branch acquired in 2019 is determined by independent external real estate appraisal firm with appropriate qualifications and experience in relation to real estate evaluation in the area. The fair value of the above investment properties is determined by Korea Appraisal Co., LTD. (Appraisal date: May 9, 2019), Nara Appraisal Co., LTD. (Appraisal date: April 30, 2019) and DAEHWA Appraisal Co., LTD. (Appraisal date: April 30, 2019), and there are no significant changes during the current year.

The fair value of the real estate used by the Ansan branch, Jungdong branch, Icheon branch, Chuncheon branch,

Gyeyang branch, and Gimpo logistics center acquired in 2021 is determined by Nara Appraisal Co., LTD. (Appraisal date: October 30, 2020), and in addition, the fair value of the real estate used by Gyeonggi Yangpyeong acquired in 2021 is determined by Nara Appraisal Co., LTD. (Appraisal date: October 14, 2021).

(6) Provision of operating leases

The Company has entered into operating lease agreements with Lotte Shopping Co., Ltd. and Lotte Global Logis Co., Ltd. for investment properties, and depreciation expenses incurred from assets for operating leases in 2021 and 2020 are ₩ 37,381,081 thousand and ₩ 24,454,440 thousand, respectively.

As of December 31, 2021, the rental income expected to be received by the Company under the operating lease agreement for the above investment properties is described in Note 14.

## 7. Borrowings and Debentures

(1) Borrowings and debentures as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Description	Maturity	Annual interest rate(%)	December 31, 2021	December 31, 2020
Current:				
Current portion of long-term borrowings(*1,2)				
Korea Development Bank	2022.10.16	2.27%	₩ 248,000,000	-
Mizuho Bank	2022.10.16	2.27%	130,000,000	-
Kookmin Bank	2022.10.16	2.27%	100,000,000	-
Current portion of discount on long-term borrowings			(1,598,137)	-
Current portion of long-term debentures(*1)	2022.07.29	1.55%	170,000,000	-
Current portion of discount on debentures			(197,330)	-
			646,204,533	-
Non-current:				
Long-term borrowings(*1,2)				
Korea Development Bank	2023.03.17	2.00%	258,000,000	248,000,000
Mizuho Bank	2023.03.17	2.00%	100,000,000	130,000,000
Kookmin Bank	2022.10.16	-	-	100,000,000
KEB Hana Bank	2023.03.17	2.00%	100,000,000	-
Discount on long-term borrowings			(2,229,375)	(3,533,612)
Long-term debentures(*2)	2023.12.15	2.90%	31,000,000	170,000,000
Discount on debentures			(103,991)	(531,028)
			₩ 486,666,634	643,935,360

(\*1) The Company's investment properties are provided as collateral for the above borrowings and debentures (refer to Note 20). According to the borrowing agreement, the Company is subject to restrictions such as restrictions on the establishment of security rights and restrictions on the disposal of assets until the obligation to pay the principal and interest of borrowings and bonds is completed.

(\*2) In relation to the above borrowings, the Company is subject to restrictions such as maintaining the financial ratio (debt ratio of 200% or less) until the obligation to pay principal and interest of the borrowings is completed according to the borrowing agreement.

(2) Changes in borrowings and debentures for the year ended December 31, 2021 and 2020, are as follows:

	(in thousands of Korean won)	
	2021	2020
Beginning balance	₩ 643,935,360	641,765,383
Additional Borrowing	519,880,535	-
Repayment	(34,576,000)	-
Amortization	3,631,271	2,154,160
Others	-	15,817
	₩ 1,132,871,166	643,935,360

## 8. Other Payables

Other payables as of December 31, 2021 and 2020, are as follows:

	(in thousands of Korean won)	
	December 31, 2021	December 31, 2020
Non-trade payables	₩ 1,806,230	110,000

## 9. Other Financial Liabilities

Other financial liabilities as of December 31, 2021 and 2020, are as follows:

	(in thousands of Korean won)	
	December 31, 2021	December 31, 2020
Current:		
Accrued expenses	₩ 5,660,196	4,427,500
	5,660,196	4,427,500
Non-Current:		
Leasehold deposits received(*1)	109,576,032	74,390,300
Less: present value discount	(21,739,571)	(16,171,036)
	₩ 87,836,461	58,219,264

(\*1) The superfices above the leasehold deposits received have been established (refer to Note 20).

## 10. Other Non-financial Liabilities

Other non-financial liabilities as of December 31, 2021 and 2020 are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Current:		
Unearned rental income	₩ 2,582,623	1,796,062
VAT withholdings	1,361,512	2,166,947
	3,944,135	3,963,009
Non-Current:		
Unearned rental income	18,699,818	14,143,720
	18,699,818	14,143,720

## 11. Share Capital and Capital Surplus

(1) The share capital of the Company as of December 31, 2021 and 2020, are as follows:

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

	December 31, 2021	December 31, 2020
Authorized shares(shares)	2,000,000,000	2,000,000,000
Par value per share	₩ 500	500
Number of shares issued(shares)	242,968,884	171,968,884
Share capital	₩ 121,484,442	85,984,442

(2) Capital surplus as of December 31, 2021 and 2020, consist of the following:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Additional paid-in capital	₩ 1,060,932,528	766,009,139

(3) Changes in share capital and capital surplus for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	Number of shares	Par value	Share capital	Capital surplus	Total
Balance at January 1, 2020	171,968,884	₩ 500	85,984,442	766,006,282	851,990,724
Reversal of payment related to issuance of shares	-	-	-	2,857	2,857
Balance at December 31, 2020	171,968,884	500	85,984,442	766,009,139	851,993,581
Balance at January 1, 2021	171,968,884	500	85,984,442	766,009,139	851,993,581
Issuance of new shares	71,000,000	500	35,500,000	294,923,389	330,423,389
Balance at December 31, 2021	242,968,884	₩ 500	121,484,442	1,060,932,528	1,182,416,970

## 12. Retained Earnings

(1) Details of retained earnings as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Retained Earnings	₩ (29,339,702)	(2,928,917)

(2) The appropriation of retained earnings for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
I. Unappropriated retained earnings carried over from prior year	₩ (30,766,930)	(6,312,491)
Profit for the period	35,384,443	31,161,167
	4,617,513	24,848,676
II. Appropriation of retained earnings	72,765,557	55,615,606
III. Unappropriated retained earnings to be carried forward	₩ (68,148,044)	(30,766,930)

(3) Details of dividend payment(planned) for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Amount of total dividend	₩ 72,765,523,498	55,615,605,990
Number of shares issued(shares)	242,968,884	171,968,884
Dividend per share	299	323
Par value	500	500
Dividend rate	59.90%	64.68%



### 13. Earnings per Share

#### (1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020, are as follows:

(in Korean won, except for number of shares)

	2021		2020	
Profit attributable to the ordinary equity holders	₩	35,384,442,369	₩	31,161,166,896
Weighted average number of ordinary shares outstanding(shares)		228,185,322		171,968,884
Basic earnings per share	₩	155	₩	181

Weighted average number of ordinary shares outstanding(shares) is calculated as follows:

(number of shares)

	2021		
	Number of shares	Day	Accumulated number of shares
Weighted average number of ordinary shares outstanding(shares) carried over from prior year	171,968,884	365	62,768,642,660
Issuance of new shares	71,000,000	289	20,519,000,000
Total			83,287,642,660
Weighted average number of ordinary shares outstanding(shares)			228,185,322

(number of shares)

	2020		
	Number of shares	Day	Accumulated number of shares
Weighted average number of ordinary shares outstanding(shares) carried over from prior year	171,968,884	366	62,940,611,544
Weighted average number of ordinary shares outstanding(shares)			171,968,884

#### (2) Diluted earnings per share

The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

## 14. Revenue

(1) The Company has entered into operating lease contracts with Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., LTD. through its investment properties. The lease payments recognized as rental income for the period ended December 31, 2021 and December 31, 2020 are ₩ 104,822,059 thousand and ₩ 76,420,332 thousand, respectively.

(2) Future lease payments receivable under operating leases as of December 31, 2021 are as follows:

(in thousands of Korean won)

		2021
within 1 year	₩	108,740,236
1 ~ 5 years		451,518,486
over 5 years		371,949,184
	₩	932,207,906

## 15. Operating expenses

Details of operating expenses for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021	2020
Salaries	₩	96,000	96,000
Depreciation		37,381,081	24,454,440
Asset management fee		4,215,427	2,975,612
Asset custody fee		84,308	59,513
Business trustee fee		188,926	133,902
Asset consignment management fee		292,000	162,000
Commission expenses		640,687	316,379
Others		125,120	168,007
	₩	43,023,549	28,365,853

## 16. Other Revenues

Details of other revenues for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021	2020
Miscellaneous Income	₩	36	155,028

## 17. Financial Income and Financial Expense

(1) Details of financial income and financial expense for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Finance income:		
Interest income calculated using the effective interest method	₩ 292,462	241,614
Finance expense:		
Interest expense calculated using the effective interest method	26,706,565	17,289,954

(2) Details of finance income and finance expense by financial instruments category for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
Interest income	₩ 292,462	-	241,614	-
Interest expense	-	26,706,565	-	17,289,954

## 18. Income taxes

Income tax expense comprises current and deferred tax. However, since the Company has decided to pay dividends at least 90% of the distributable profits in accordance with Corporate Tax Act Article 51-2 Income Deductions for Special Purpose Companies, etc., the Company can deduct such amount of dividends when calculating the taxable profit for the fiscal year. Therefore, the current tax expense has not occurred because there is no corporate tax to be paid by the Company in fact

## 19. Statement of Cash Flows

(1) As of December 31, 2021 and 2020, the details of cash and cash equivalents are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Deposits	₩ 7,397,904	18,996,963

(2) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the period ended December 31, 2021 and 2020, are as follows:

## 1) Adjustments :

(in thousands of Korean won)

		2021	2020
Depreciation	₩	37,381,081	24,454,440
Interest expense		26,706,565	17,289,954
Rental income (amortization of discount on leasehold deposit received)		(2,377,648)	(1,796,063)
Interest income		(292,462)	(241,614)
Miscellaneous income		-	(154,910)
	₩	61,417,536	39,551,807

## 2) Changes in operating assets and liabilities :

(in thousands of Korean won)

		2021	2020
Increase in trade receivables	₩	(3,267,619)	(102,287)
Increase in other receivables		(53,244)	(123,247)
Increase in other payables		1,801,879	4,351
Increase in accrued expenses		871,588	685,100
Decrease in withholdings		-	(10,000)
Increase(Decrease) in VAT withholdings		(805,435)	480,247
Increase in leasehold deposits received		35,185,732	-
	₩	33,732,901	934,164

## 3) Non-cash transactions for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021	2020
Transfer of long-term unearned revenue to liquid liabilities	₩	2,377,649	898,032
Unearned revenue recognition		256,260	-
Classification of assets under construction		105,649	-
Other receivable and payable expenses for Property Tax		6,796,681	-
Transfer of long-term borrowings to liquid liabilities		476,401,863	-
Transfer of debentures to current liabilities		169,802,670	-
Other payables for acquisition of investment property		-	105,649

4) Changes in liabilities arising from financial activities for the year ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

2021						
	Beginning balance	Amortization	Reclassi- fication	Cash inflow from financing activities	Cash outflow from financing activities	Ending balance
Short-term borrowings	₩ -	-	-	34,576,000	(34,576,000)	-
Current portion of long-term borrowings-	-	476,401,863	-	-	476,401,863	554,159,041
Current portion of long-term debentures	-	-	169,802,670	-	-	169,802,670
Borrowings	474,466,388	3,295,275	(476,401,863)	454,410,825	-	455,770,625
Debentures	169,468,971	335,998	(169,802,670)	30,893,710	-	30,896,009
	₩ 643,935,359	3,631,273	-	519,880,535	(34,576,000)	1,132,871,167
Borrowings	₩ 472,638,145	1,828,243	-	-	-	474,466,388
Debentures	169,127,238	325,916	-	15,817	-	169,468,971
	₩ 641,765,383	2,154,159	-	15,817	-	643,935,359

## 20. Contingencies and Commitments

### (1) Master lease agreement

The Company entered into the Master lease agreement with Lotte Shopping Co., Ltd. and Lotte Global Logis Co., Ltd. for the lease of all in-kind investment assets, and the main terms and conditions of the agreement are as follows:

(in millions of Korean won)

Type	Tenants	leasehold deposit	monthly rental fee(*1)	lease term	rental fee increase rate, etc.	management fee, etc. (*2)
Tranche A	Lotte Department Store - Changwon Lotte Mart - Uiwang Lotte Mart - Jangyu	21,761	1,868	9 years	(*3)	Tenant's burden
Tranche B	Lotte Department Store - Guri Lotte Outlet - Cheongju Lotte Outlet - Daegu Yulha Lotte Mart - Seochongju Lotte Mart - Daegu Yulha	24,929	2,140	10 years	(*3)	Tenant's burden
Tranche C	Lotte Department Store - Gangnam Lotte Department Store - Gwangju	27,700	2,378	11 years	(*3)	Tenant's burden
Tranche D	Lotte Department Store - Ansan Lotte Department Store - Jungdong Lotte Mart - Gyeyang	15,064	1,255	7 years	(*4)	Tenant's burden
Tranche D	Lotte Mart - Yangpyeong, Gyeonggi	1,487	1,487	6 years 3months	(*5)	Tenant's burden
Tranche E	Lotte Premium Outlet - Icheon Lotte Mart - Chuncheon	14,337	1,195	11 years	(*4)	Tenant's burden
Tranche F	Lotte Mart Mall - Gimpo Logistics Center	4,298	358	15 years	(*6)	Tenant's burden
		₩ 109,576	₩ 9,318			

(\*1) As of December 31, 2021, this is the monthly rent.

(\*2) The tenant bears the full cost of management, insurance, and taxes.

(\*3) The monthly rental fee is increased by 1.5% every year from the date of commencement of lease.

(\*4) The monthly rental fee is determined by adding the rental fee linked to monthly sales (0.45% of the previous year's total sales amount divided by 12) to the fixed monthly rental fee. The monthly rental fee is increased every year from the day following the day after one year has elapsed from the date of commencement of the lease, in conjunction with the previous year's consumer price index ("CPI") growth rate.

(\*5) The monthly rental fee is determined by adding the monthly rental fee (0.5% of the previous year's total sales amount divided by 12) to the fixed monthly rental fee. From March 17, 2023, the monthly rental fee will be increased every year in relation to the previous year's annual rental fee in conjunction with the previous year's consumer price index ("CPI") growth rate.

(\*6) The monthly fixed rental fee is increased every year from the day following the day after one year has elapsed from the date of commencement of the lease in conjunction with the previous year's consumer price index ("CPI") growth rate.

### (2) Asset management consignment agreement

The Company entered into the Asset management consignment agreement with Lotte AMC for investment management of assets such as real estate acquisition, management, improvement, disposal, leasing and securities trading, and the fee rates for each service are as follows:



	Terms and conditions
Asset acquisition service fee	• 0.4% of the acquisition price of the managed assets acquired (including contribution in-kind)
Asset management service fee	• 0.2% per year of the acquisition price of the managed assets (including contribution in-kind), during the period in which each managed asset is operated
Basic commission for sales	• 0.7% of the sales price of each managed asset
Performance commission for sales	• 10% of the difference between the sales price and the acquisition price of each managed asset

## (3) General corporate services agreement

The Company entered into General corporate services agreement with KB Bank for the affairs of stock issuance, stock listing, and general administrative, and the fee rates is as follows:

	Terms and conditions
General administrative service fee	• 0.5bp per year of the acquisition price of the managed assets until just before the day the Company's shares are listed on the Korea Stock Exchange • 0.9bp per year of the acquisition price of the managed assets from the day of the Company's shares are listed on the Korea Stock Exchange

## (4) Asset custody consignment agreement

The Company entered into the Asset Custody Consignment Agreement with Woori Bank for the custody and management of assets such as real estate, securities and cash, and the fee rates is as follows:

	Terms and conditions
Asset custody fee	• 0.4bp per year of the acquisition price of the managed assets

## (5) Insurance contracts of the Company as of December 31, 2021, are as follows:

in thousands of Korean won)		
Insurance type	Insured amount	Insurance Company
Package insurance		
-Property all risks cover (*1)		
-Machinery breakdown cover	₩ 2,162,548,940	Lotte Insurance Co., Ltd.
-Business interruption cover	246,734,355	
- Facility Ownership liability cover	Lotte Shopping Co., Ltd. 10,000,000 Lotte Global Logistics Co., Ltd. 5,000,000 (per person / per accident)	
- Parking lot liability cover	Lotte Shopping Co., Ltd. 300,000 (per accident & total limit)	

(\*1) The right to claim insurance money in the above insurance contract is provided as collateral for borrowings (the amount of collateral is \ 1,123,200 million).

In addition, the Company subscribes to gas accident liability insurance, etc. other than the above.

## (6) Collateral Provision

As of December 31, 2021, the details of Investment properties provided as collateral are as follows:

(in thousands of Korean won)

Secured assets	Secured amount	Provided by	Related liabilities	Type of security right
land and buildings	204,000,000	Daehan Real Estate Trust	Debentures	Real estate mortgage
	607,200,000	Korea Development	Bank Borrowings	Real estate mortgage
	276,000,000	Mizuho Bank	Borrowings	Real estate mortgage
	120,000,000	Kookmin Bank	Borrowings	Real estate mortgage
	120,000,000	KEB hana Bank	Borrowings	Real estate mortgage
	105,278,532	Lotte Shopping Co., Ltd.	Leasehold deposit	Lease hold
	136,862,092	Lotte Shopping Co., Ltd.	Leasehold deposit	Real estate mortgage
	4,297,500	Lotte Global Logistics Co., Ltd.	Leasehold deposit	Lease hold
	5,586,750	Lotte Global Logistics Co., Ltd.	Leasehold deposit	Real estate mortgage

## (7) Brand license agreement, etc.

As of December 31, 2021, the Company has entered into a brand license agreement and a disclosure support system using contract with Lotte Corporation., and for this, 0.15% of the amount obtained by deducting advertising costs from revenue is paid.

(8) As of December 31, 2021, Seoul Metropolitan City, Daegu Metropolitan City, Changwon City, Gimhae City, and Bucheon City have separate surface rights on some of land owned by the Company for the use of nearby subway passageways and protection of intercepting pipes and manholes.

(9) As of December 31, 2021, there is one case in which the Company is the plaintiff (litigation value of ₩ 7,697,371 thousand) pending litigation by the Company. The Company cannot predict the prospects of the above lawsuit, but expects that the effect of the lawsuit on the financial statements will be insignificant.

## 21. Related Party Transactions

(1) As at December 31, 2021, the Company's parent company and other related parties are as follows:

	Related company
Parent company	Lotte Shopping Co., Ltd.
Other related parties(*1)	Lotte Corporation Lotte AMC Co., Ltd. Lotte Asset Development Co., Ltd Lotte Property & Development Lotte Global Logistics Co., LTD. Lotte Data Communication Company
Other(*1)	Affiliates belongs to Lotte Group

(\*1) Although other related parties are not related parties under K-IFRS 1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

(2) Significant transactions with related parties for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Related parties	2021		
	Operating revenue(*1)	Operating expenses(*2)	Investment property(*3)
Parent company:			
Lotte Shopping Co., Ltd.	₩ 99,047,999	99,287	734,155,000
Others:			
Lotte Corporation	-	158,879	-
Lotte Asset Development Co., Ltd.	-	33,500	-
Lotte AMC Co., Ltd.	-	4,215,427	3,251,200
Lotte Property & Development	-	260,341	-
Lotte Global Logistics Co., LTD.	3,396,411	22,000	44,045,000
Lotte Data Communication Company	-	44,600	-
	₩ 102,444,410	4,834,034	781,451,200

(\*1) Operating revenue does not include the amount of ₩2,377,648 thousand, which is recognised as rental income from unearned revenue.

(in thousands of Korean won)

Related parties	2020	
	Operating revenue(*1)	Operating expenses
Parent company:		
Lotte Shopping Co., Ltd.	₩ 74,624,270	-
Others:		
Lotte Corporation	-	132,478
Lotte Asset Development Co., Ltd	-	162,000
Lotte AMC Co., Ltd.	-	2,975,906
Lotte Property & Development	-	-
	₩ 74,624,270	3,277,534

(\*1) Operating revenue does not include the amount of ₩ 1,796,062 thousand, which is recognised as rental income from unearned revenue.

(3) Account balances with related companies as of December 31, 2021 and 2020, are summarized as follows:

(in thousands of Korean won)

Related parties	December 31, 2021			
	Receivables		Payables	
	Trade receivables	Other receivables	Leasehold deposits(*1)	Non-trade payables
Parent company:				
Lotte Shopping Co., Ltd.	₩ 9,795,079	2,124	105,278,532	2,171
Others:				
Lotte Corporation	-	-	-	685
Lotte AMC Co., Ltd.	-	-	-	2,287,854
Lotte Property & Development	-	-	-	50,050
Lotte Global Logistics Co.,LTD	393,938	-	4,297,500	-
	₩ 10,189,017	2,124	109,576,032	2,340,760

(\*1) Leasehold deposits are the nominal value that does not reflect present value discount of ₩21,776,311 thousand.

(in thousands of Korean won)

Related parties	Receivables		Payables	
	Other receivables	Leasehold deposits(*1)	Non-trade payables	
Parent company:				
Lotte Shopping Co., Ltd.	₩ 6,921,397	74,390,300	-	
Others:				
Lotte Corporation	-	-	769	
Lotte AMC Co., Ltd.	-	-	1,495,936	
Lotte Asset Development Co., Ltd.	-	-	14,850	
	₩ 6,921,397	74,390,300	1,511,555	

(\*1) Leasehold deposits are the nominal value that does not reflect present value discount of ₩16,171,036 thousand.

(4) Fund transactions with related parties for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Related parties	2021		2020	
	Capital increase	Cash Dividend	Capital increase	Cash Dividend
Parent company:				
Lotte Shopping Co., Ltd.	₩ 166,672,500	30,897,604	-	22,182,731

(5) The Company has entered into an agreement with its parent company, Lotte Shopping Co., Ltd., and Lotte Global Logistics Co., LTD. to provide operating leases, and has granted Lotte Shopping Co., Ltd., and Lotte Global Logistics Co., LTD. the right of first offer to negotiate the purchase of the investment property.

(6) Key management personnel compensation for the period ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Related parties		2021	2020
Short-term employee benefits	₩	96,000	96,000

(7) December 31, 2021 and 2020, there are no collateral and payment guarantees provided by the Company for the financial supports to the related parties, and no collateral or payment guarantees provided by related parties.

## 22. Risk Management

### (1) Management of Financial Risks

#### 1) 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 financial performance and by eliminating, avoiding and abating the possible risk level to an acceptable range and to support to a stable and consistent business performance with the intention to contribute to strengthening the Company's competitiveness by reducing costs of finance through improving the financial structure and enhancing the efficiency of its capital operations.

In order to install and implement the financial risk management system, the Company is complying with the risk management policies and procedures by strictly performing control and review of internal managers.

#### 2) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations in an ordinary transaction or investment activity.

Most of the Company's revenue is rental income generated from related parties, and the managements believe that credit risks are very limited.

##### ① Exposure to credit risk

The book value of a financial asset represents the maximum exposure to credit risk. The maximum exposures to credit risk as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Related parties		2021	2020
Cash equivalent	₩	7,397,904	18,996,963
Trade receivables(*1)		10,189,016	6,921,397
Other receivables		219,011	165,767
Accrued income		87,368	36,361
Short-term financial instruments		37,500,000	16,500,000
	₩	55,393,299	42,620,488

(\*1) Trade receivable and other receivable are not overdue or impaired.

## 3) Liquidity Risks

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset due to an adverse managerial or external environment.

In order to systematically manage liquidity risk, the Company predicts and corresponds to potential risks through consistently analyzing the schedule of cash flow and establishing short- term and long-term capital management plans.

Aggregate maturities of financial liabilities, including estimated interest, as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

Related parties	December 31, 2021			
		3 months or less	3 months ~ 1 year	More than 1 year
Non-trade payables	₩	1,806,230	-	-
Accrued expenses		2,524,664	-	-
Leasehold deposits received(*1)		-	-	109,576,032
Debentures(*2)		884,775	171,994,300	31,899,000
Long-term borrowing(*2)		4,963,848	493,067,216	460,208,438
	₩	10,179,517	665,061,516	601,683,470

(\*1) The above schedule is prepared based on the undiscounted nominal amounts.

(\*2) The above schedule is prepared based on the undiscounted nominal amounts and includes interest expenses.

(in thousands of Korean won)

Related parties	December 31, 2020			
		3 months or less	3 months ~ 1 year	More than 1 year
Non-trade payables	₩	110,000	-	-
Accrued expenses		1,653,076	-	-
Leasehold deposits received(*1)		-	-	74,390,300
Debentures(*2)		660,025	1,980,075	171,980,075
Long-term borrowing(*2)		2,788,147	8,115,654	488,820,872
	₩	5,211,248	10,095,729	735,191,247

(\*1) The above schedule is prepared base on the undiscounted nominal amounts.

(\*2) The above schedule is prepared base on the undiscounted nominal amounts and includes interest expenses.



It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## (2) Capital Management

The objective of the Company's capital management is maximizing shareholders' profit through maintaining a sound 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 in order to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	December 31, 2021	December 31, 2020
Liabilities (a)	₩ 1,250,818,007	724,798,853
Equity (b)	1,153,077,268	849,064,665
Financial instruments (c)	7,397,904	18,996,963
Borrowings and debentures (d)	1,132,871,167	643,935,359
Liabilities to equity ratio (a/b)	108%	85%
Net borrowings to equity ratio ((d-c)/b)	98%	74%

## 23. Segment Reporting

### (1) Information of segment

The Company does not disclose Information of each operating segment because the reporting segment is a single segment in accordance with K-IFRS 1108 (Operating segment). The internal business segment reporting materials regularly reviewed by the Company's chief operating decision-maker are measured in a manner consistent with the financial statements.

### (2) Disclosure at the Company-wide level

The Company's Revenue is rental income, and it came from its parent companies, Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd. (Note 21).

## 24. Uncertainty of the impact of COVID-19

Various virus prevention and control measures, including movement restrictions, are being implemented around the world to contain the spread of COVID-19, and as a result, the global economy is having a material impact. In addition, various types of government support policies are being announced to cope with COVID-19. The Company's main operating income depends on rental income from investment properties. The impact of COVID-19 and government support policies could not be reasonably estimated as of the end of the current period on impairment of investment properties and recognition of provisions, and the ultimate effect has not been recognized in the financial statements.

# Corporate Information

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