



Annual Report 2023

Building the future of investment

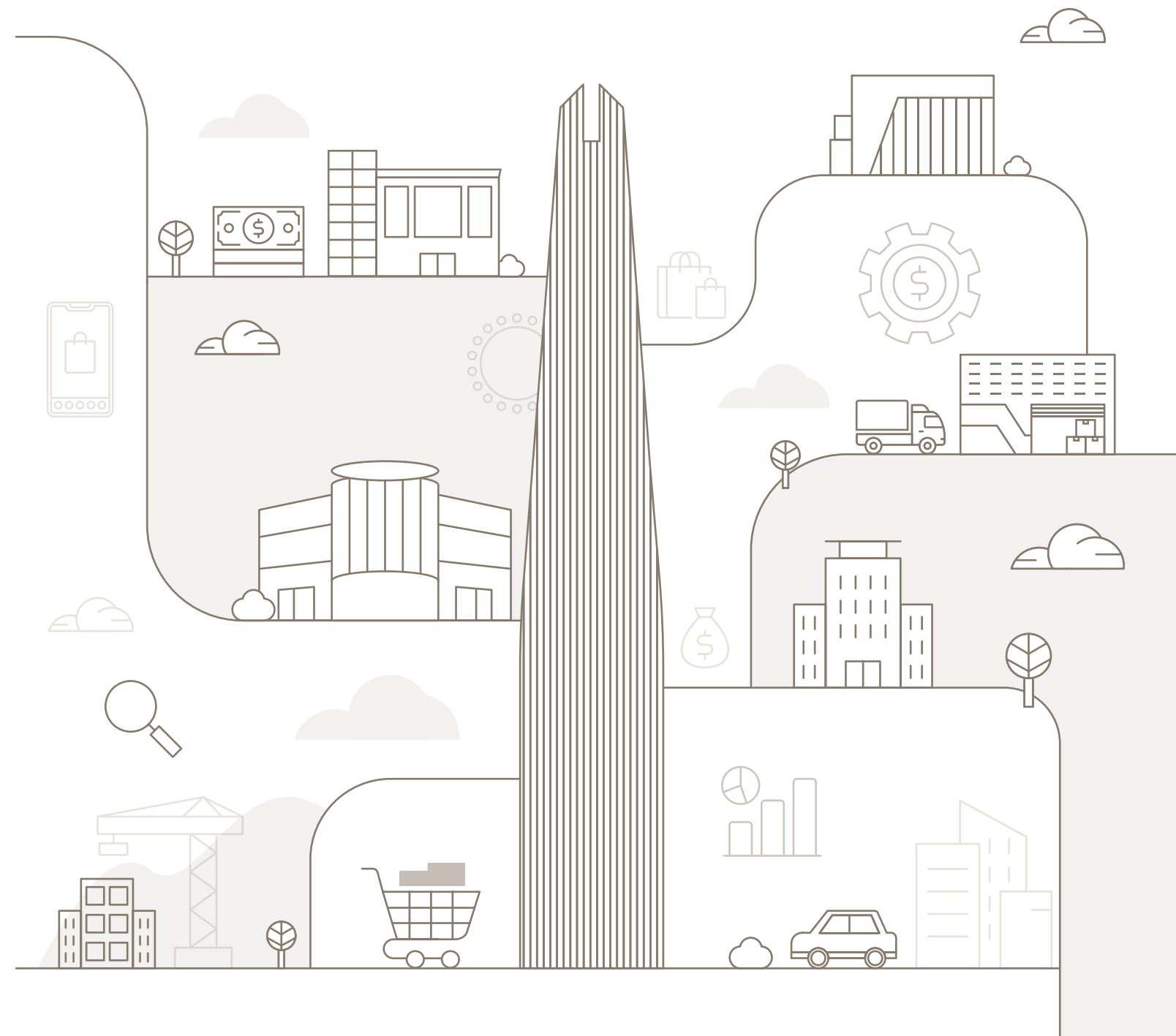
Your trusted investment partner, **LOTTE REIT**



ANNUAL REPORT 2023

Building the future of investment

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Building the future of investment

Korea's Leading Publicly-Listed REIT

Listed on the Korea Exchange in October 2019, LOTTE REIT has established itself as Korea's leading publicly-listed REIT. As of the end of 2023, LOTTE REIT has an AUM of KRW 2.3 trillion, consisting of 15 key investment assets - six department stores, five marts, three outlets, and one logistics center.

LOTTE REIT is dedicated to delivering strong growth, underpinned by long-term lease agreements signed with LOTTE Group, including one of LOTTE REIT's sponsors, LOTTE Shopping, as its major tenants. LOTTE REIT will strive to boost its competitiveness and is committed to maximizing shareholder value as Korea's leading publicly-listed REIT.



LOTTE World Tower

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Key Highlights 01

Korea's Leading Mega REIT

1

The REIT with **mega-scale AUM and market cap** in Korea

2

Strong pipeline of blue-chip assets within LOTTE Group, including our sponsors LOTTE Shopping and LOTTE Global Logistics

3

Steady flow of supply and demand owing to an inflow of passive funds since its inclusion in global indices



AUM

KRW 2,300.6 billion

(in billion of KRW)

IPO
(2019.10)
1,487.8

Rights Issue
(2021.03)
778.2

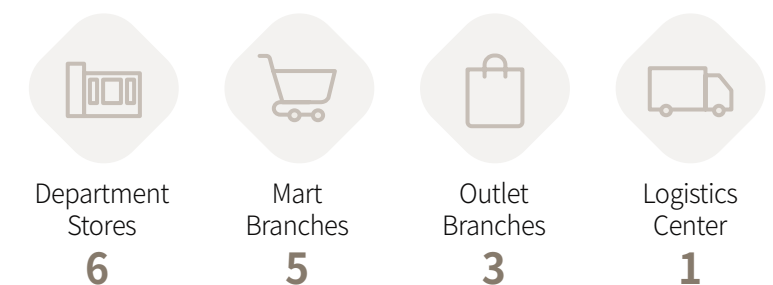
Additional
Acquisition
(2021.12)
34.6

Market Cap

KRW 766.6 billion

Portfolio

15 properties



Global Index

FTSE Russell | EPRA | Nareit

FTSE EPRA Nareit
Global, Developed Asia, etc.

FTSE Russell

FTSE
All Cap

MSCI

MSCI
Small Cap, etc.

* as of the end of Dec. 2023

Key Highlights 02

Solid Profit Structure

1

Strong profit-generating structure

built on high-quality tenants and long-term lease agreements

2

Steady increase in new investments and rental income thanks to high credit ratings



Master Lease Agreements

LOTTE Shopping, LOTTE Global Logistics

100%

A steady stream of rental income generated through long-term master lease agreements
(0% vacancy rate that hedges against reduced rental income)

Triple-net lease¹ structure ensures smooth operations without any cost transfers to LOTTE REIT

Remaining Lease Period

6.1 years on average

Credit Rating

AA- Stable

(based on secured bonds)

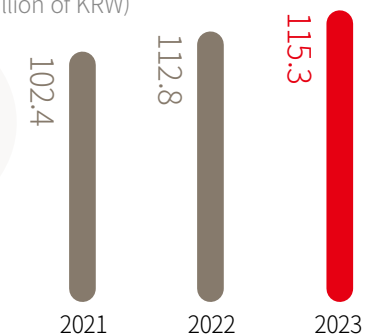
Average Borrowing Rate

5.31%

Rental Income

KRW 115.3 billion

(in billion of KRW)



LTV²

49.5%

(Based on initial acquisition price)

41.0%

(Based on appraisal value of collateral)

1) Triple-net: A lease agreement on a property whereby the tenant pays all the expenses of the property, including taxes and public utility bills, insurance premiums, and repair and maintenance fees in addition to rent.

2) LTV: Loan-to-Value Ratio *as of the end of Dec. 2023

Key Highlights 03

Asset Value Appreciation and Portfolio Scalability

1

Additional borrowing capacity stemming from appreciating asset value of existing blue-chip assets

2

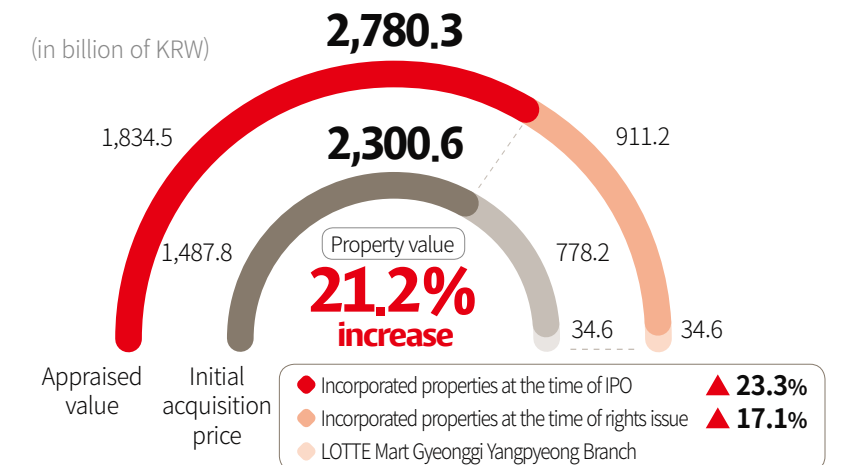
Potential for growth based on additional acquisitions of LOTTE Group or External blue-chip properties



Property value growth by 21.2%

23.3% increase in value of properties acquired through IPO and 17.1% increase in value of properties acquired through rights issue (based on appraisal value of collateral)

Seeking ways to expand our portfolio by acquiring additional properties leveraging additional borrowing capacity provided through revaluations of ultra-high-quality assets held by LOTTE REIT



Portfolio expansion through asset acquisition

Total KRW 8.7 trillion +α

LOTTE Shopping	ROFO ¹ KRW 8.2 trillion [Department stores] KRW 4.0 trillion (10 units) [Outlets] KRW 1.1 trillion (5 units) [Marts] KRW 3.1 trillion (64 units)
LOTTE Global Logistics	ROFO ¹ KRW 0.5 trillion [Logistics center] KRW 0.5 trillion won (9 units)
LOTTE Group / External blue-chip properties	+α office, logistics center, data center, etc.

Building growth momentum by investing not only in properties acquired through ROFO¹ agreements with LOTTE Shopping and LOTTE Global Logistics, but also by investing in blue-chip properties of other LOTTE Group subsidiaries and outside LOTTE Group.

1) ROFO: Rights of First Offer

Building the future of investment

OVERVIEW

LOTTE REIT has generated stable profits thanks to efficient asset management even amid volatile market conditions triggered by interest rate hikes. Furthermore, LOTTE REIT has maintained its growth momentum leveraging the wide-ranging assets owned by LOTTE Group as its future pipeline.

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 Investment Company Act, and engages in investment and operation of the real estate properties consigned by REITs.

01 


Selective investments made by professionals

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

02 

Leveraging LOTTE Group as the anchor investor

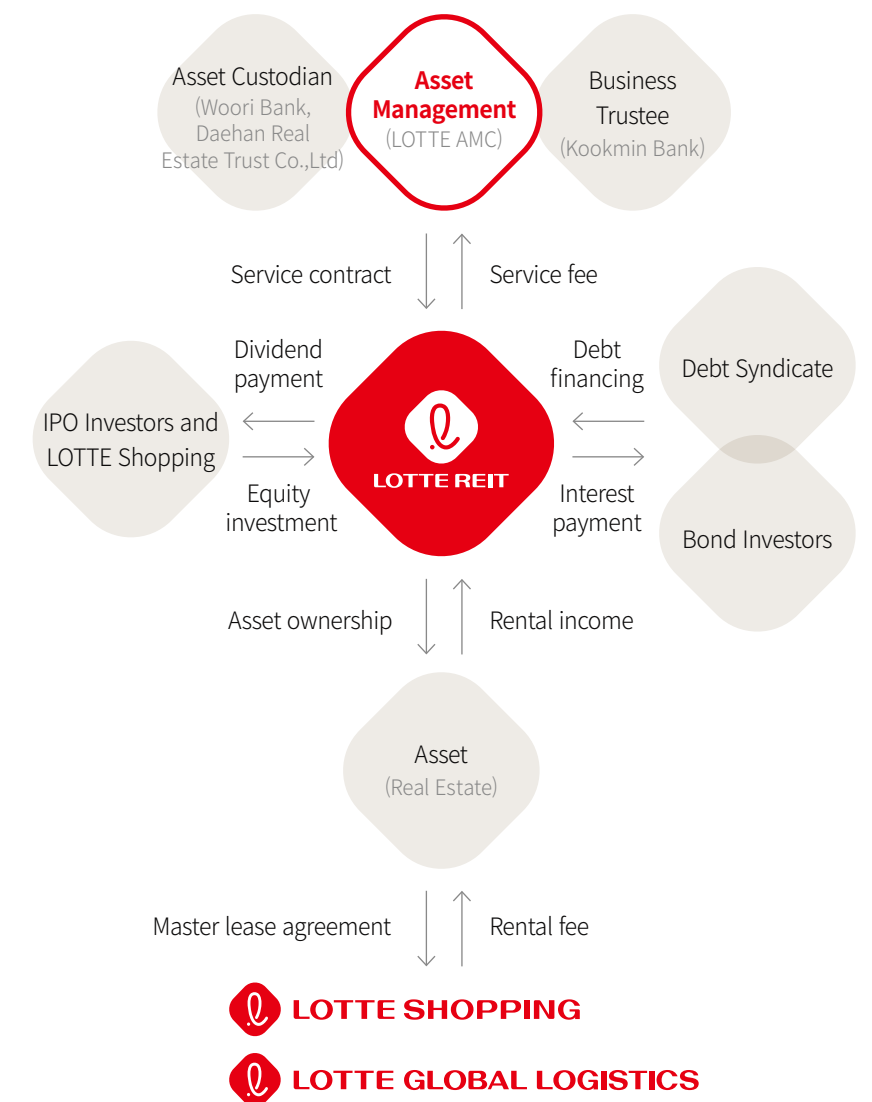
Continuously acquire high-quality real estate assets of LOTTE Group as a wholly-owned subsidiary of LOTTE Corporation

03 

Optimal risk management

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

Structure of LOTTE REIT



History

2019

~

2020

2021

2022

2023

- **2019.03.29**
Establishment of the Company
- **2019.05.14**
Obtained business license approval from the Ministry of Land, Infrastructure and Transport
- **2019.05.30**
Acquired LOTTE Department Store Gangnam Branch (in-kind investment from LOTTE Shopping Co., Ltd.)

Signed a lease agreement on LOTTE Department Store Gangnam Branch (master lease tenant: LOTTE Shopping Co., Ltd.)
- **2019.07.05**
Secured bonds rated AA- Stable by Korea Investors Service
- **2019.07.10**
Secured bonds rated AA- Stable by NICE Investors Service
- **2019.07.26**
Book building on secured bonds: order book result 4.4 : 1

- **2019.07.31**
Issued secured bonds worth KRW 170 billion
- **2019.10.11**
IPO (Period: October 8-11 / oversubscribed by 63.28 times)
- **2019.10.16**
Acquired LOTTE Department Store (Guri Branch, Gwangju Branch, Changwon Branch), LOTTE Mart (Uiwang Branch, Jangyu Branch) LOTTE Mart/Outlet (Yulha Branch, Cheongju Branch) and entered into master lease agreements
- **2019.10.30**
Listed on the securities market
- **2020.12.14**
Obtained approval for change of business plans from the Ministry of Land, Infrastructure and Transport

- **2021.03.11**
Subscription to rights issue by existing shareholders (period: March 8-9/subscription rate: 100.37%)
- **2021.03.17**
Acquired LOTTE Department Store (Ansan Branch, Jungdong Branch), LOTTE Mart (Gyeyang Branch, Chuncheon Branch), LOTTE Premium Outlet (Icheon Branch), LOTTE Mart Mall Gimpo Logistics Center and entered into master lease agreements
- **2021.03.26**
Rights issue (71 million common shares)
- **2021.11.19**
Unsecured bonds rated A+ Stable by NICE Investors Service
- **2021.11.22**
Unsecured bonds rated A+ Stable by Korea Investors Service
- **2021.12.15**
Acquired LOTTE Mart Gyeonggi Yangpyeong Branch and entered into a master lease agreement

Issued unsecured bonds worth KRW 31 billion

- **2022.06.20**
Incorporated into FTSE EPRA Nareit Index
- **2022.07.08**
Secured bonds rated AA- Stable by NICE Investors Service and Korea Investors Service
- **2022.07.29**
Issued secured bonds worth KRW 170 billion
- **2022.10.06**
Short-term bonds rated A2+ by NICE Investors Service and Korea Investors Service
- **2022.10.17**
Issued short-term bonds worth KRW 200 billion

- **2023.01.16**
Issued secured bonds worth KRW 70 billion
- **2023.03.17**
Issued secured bonds worth KRW 200 billion
- **2023.07.28**
Issued secured bonds worth KRW 80 billion

About LOTTE Group



As Korea’s sixth largest business group in terms of assets, LOTTE continues to build on its success of sustained growth backed by a strong financial structure.

Business Ranking in Korea

6th

Sales

KRW 71.8 trillion

Assets

KRW 138.7 trillion

No. of Subsidiaries

98

Debt-to-Equity Ratio

132.3%

LOTTE Group was founded as LOTTE Confectionery back in 1967 and has since expanded its business territory into wide-ranging sectors, including food, retail, chemical and construction, and tourism and service, establishing a successful business portfolio along the way. LOTTE prides itself on being a company that opens horizons to new lifestyles for customers while generating steady corporate value and building a strong foundation 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-notch products and services across its global network. For over half a century, LOTTE has relentlessly pushed boundaries and pursued transformation to provide products and services that customers love and trust, staying true to its commitment to enrich people’s lives.

LOTTE Group, Korea’s sixth largest business as of 2023, is gearing up for yet another chapter of growth in its journey to become a centennial company.

Business Portfolio

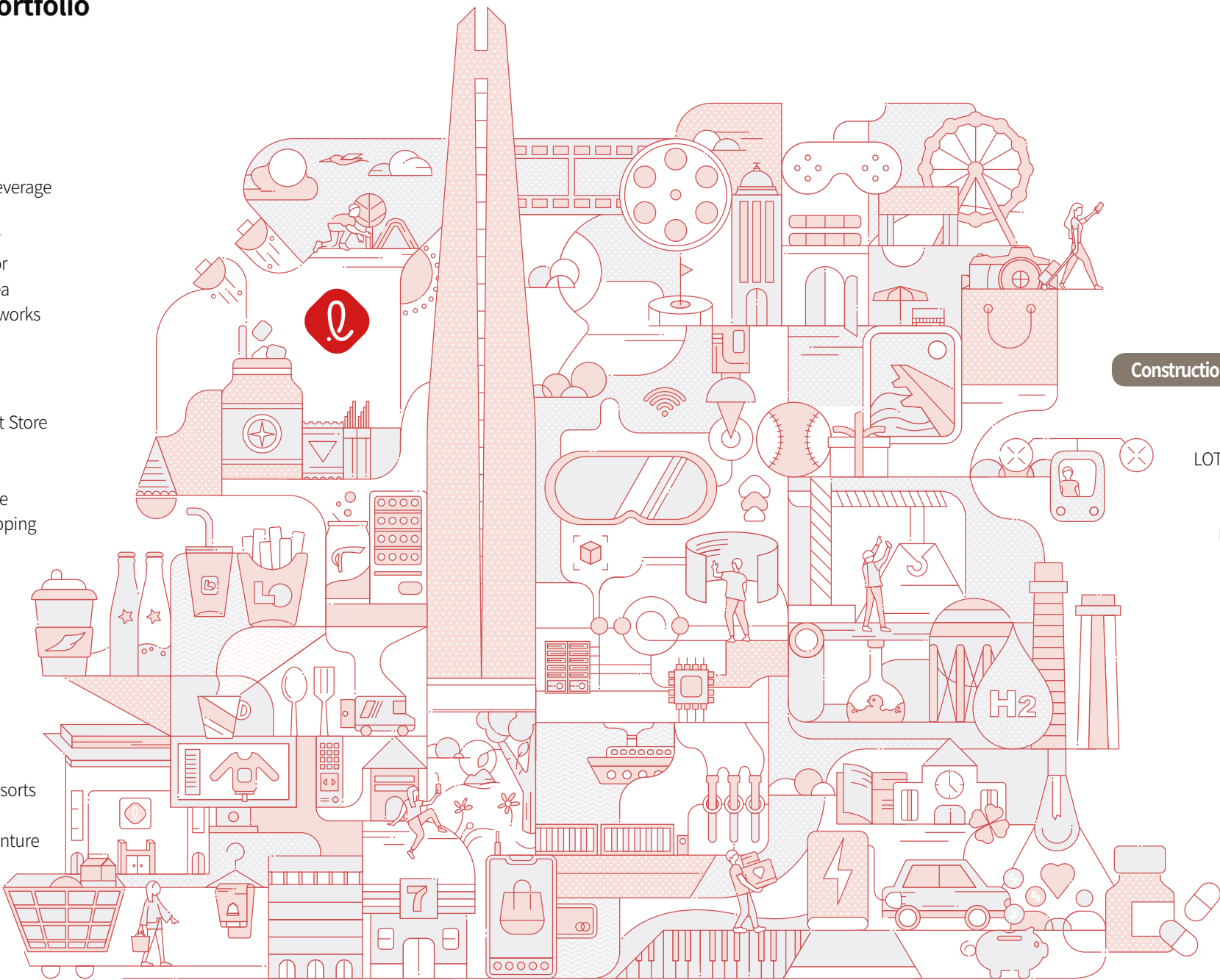
- F&B
- LOTTE Wellfood
 - LOTTE Chilsung Beverage
 - LOTTE GRS
 - LOTTE R&D Center
 - LOTTE Asahi Liquor
 - LOTTE-Nestlé Korea
 - LOTTE People Networks

- Retail
- LOTTE Department Store
 - LOTTE Mart
 - LOTTE Super
 - LOTTE e-commerce
 - LOTTE Home Shopping
 - Korea Seven
 - LOTTE Hi-Mart
 - LOTTE GFR
 - FRL Korea
 - STL Korea
 - LOTTE Members

- Hotel
- LOTTE Hotels & Resorts
 - LOTTE Duty Free
 - LOTTE World Adventure
 - LOTTE JTB

- Chemical
- LOTTE Chemical
 - LOTTE Fine Chemical
 - LOTTE INEOS Chemical
 - LOTTE MCC
 - LC Titan
 - LC USA
 - LOTTE GS Chemical
 - LOTTE Aluminum
 - LOTTE Energy materials

- Construction / Rental / Infrastructure
- LOTTE E&C
 - LOTTE E&C CM Division
 - LOTTE Property & Development
 - LOTTE Rental
 - LOTTE Global Logistics
 - LOTTE Data Communication
 - LOTTE Biologics
 - LOTTE Healthcare
 - LOTTE Ventures
 - LOTTE Capital
 - LOTTE Cultureworks
 - Daehong Communications
 - Canon Korea
 - Fujifilm Korea
 - LOTTE AMC
 - LOTTE Giants
 - LOTTE International
 - LOTTE Foundation
 - LOTTE Welfare Foundation
 - LOTTE Samdong Welfare Foundation
 - LOTTE Foundation for Arts



Source: LOTTE Group, Fair Trade Commission (released in May 2023)

About Our Sponsors



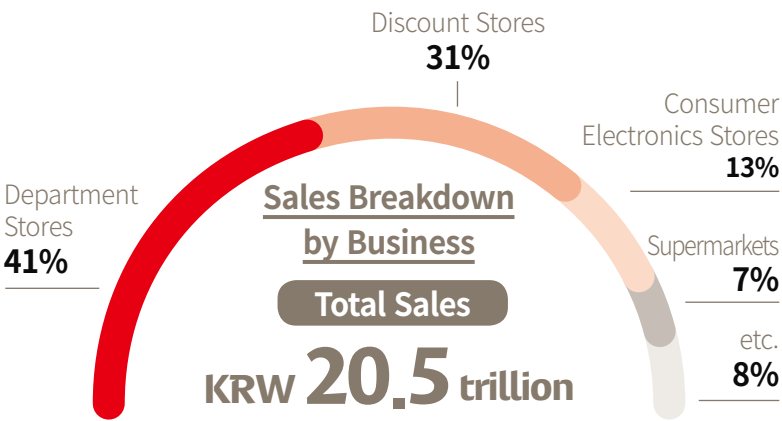
LOTTE Shopping

Korea’s leading global retailer shaping the future of retail

Over the past five decades since its foundation in 1970, LOTTE Shopping has been a trailblazer in the retail industry, delivering new value to customers through its advanced infrastructure and systems. LOTTE Shopping has expanded its footprint ranging from department stores to discount stores, consumer electronics stores, supermarkets, home shopping, culture works, H&B stores and e-commerce to become Korea’s No. 1 retailer.

Since its establishment in 1979, LOTTE Department Store has been the undisputed No. 1 department store in Korea, pioneering Korea’s retail industry and shopping culture. LOTTE Department Store is actively expanding not only domestically but also overseas, operating stores in Vietnam and Indonesia to strengthen its global competitiveness. Based on the capabilities accumulated thus far, LOTTE Department Store aims to establish itself as the top department store in Asia, offering customers joyful experiences and abundant lifestyles.

Source: LOTTE Shopping
1) 60 locations in Korea (including 22 outlets and 5 shopping malls), 5 locations overseas
2) 111 locations in Korea (marts), 64 locations overseas
* as of the end of Dec. 2023



Since its first store opened in 1998, LOTTE Mart has been providing differentiated products and customer experiences. Currently, it is a global discount store with a total of 175 stores both domestically and internationally. LOTTE Mart aims to continue leading as pioneers of future-oriented marts, injecting fresher, and newer values into offline stores, and actively expanding them to enhance competitiveness.



LOTTE Department Store Gangnam (The Conran Shop)

Business Portfolio

Department Stores¹
65 locations

Discount Stores²
175 locations

Supermarkets
358 locations



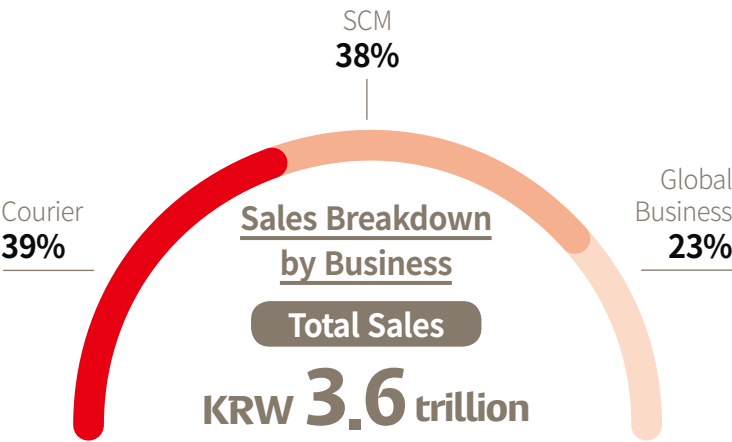
LOTTE Global Logistics

Evolving into a comprehensive logistics company engaging in courier, port operations, and global businesses

Since its establishment in 1996, LOTTE Global Logistics has contributed to the development of the national logistics industry and has established itself as Korea's leading comprehensive logistics companies. Based on a domestic business network of more than 1,000 companies and a global network of 14 overseas countries such as China, Vietnam, Hungary, Germany, and the United States, LOTTE Global Logistics provides comprehensive logistics services such as parcel delivery, domestic logistics, and international logistics.

In the parcel delivery business, with the completion of the Jincheon Mega Hub Terminal in 2022, LOTTE Global Logistics anticipates not only an increase in daily processing capacity but also improved profitability through its reinvented parcel delivery network system. Furthermore, in domestic logistics operations encompassing land transportation, third-party logistics, as well as international logistics operations involving forwarding, international express delivery, and port handling, LOTTE Global Logistics is strengthening its business

Source: LOTTE Global Logistics
* as of the end of Dec. 2023



capabilities by providing logistics services to various clients and leveraging expertise in digital transformation-based logistics innovation.

LOTTE Global Logistics aims to become a global top-tier logistics company connecting the world by continuing to make investments in logistics infrastructure, DT/IT-based logistics innovation, as well as diversifying into new businesses such as smart fulfillment, green ammonia-based maritime transport, and expanding overseas operations based in the United States, Vietnam, and Indonesia.



LOTTE Global Logistics Mega Hub Terminal

Business Portfolio

Hub Terminal
18 locations

Branches
37 locations

Agencies
1,088 locations

Overseas
14 countries

SCM Centers
171 locations

2023 Summary

Financial Highlights

As of the end of 2023, LOTTE REIT has an AUM of KRW 2.3 trillion. LOTTE REIT posted KRW 118.1 billion in operating revenue, up 2.3% (net increase of approximately KRW 2.7 billion) from 2022, and recorded a net income of KRW 9.0 billion, which was a 72.7% decrease YoY. Even in a rising interest rate environment, LOTTE REIT’s dividend yield stood at 4.17%

	FY2021	FY2022	FY2023
			(in billion of KRW, %)
Total assets	2,403.9	2,363.9	2,313.7
Liabilities	1,250.8	1,256.1	1,258.2
Capital	1,153.1	1,107.7	1,055.4
Operating revenue	104.8	115.4	118.1
Operating expenses	43.0	47.5	47.2
Non-operating income	0.3	0.9	1.3
Non-operating expenses	26.7	35.6	63.1
Net income	35.4	33.1	9.0
Dividend yield ¹	6.48% ²	6.24% ³	4.17% ⁴

1 Annualized dividend yield calculated by dividing total dividends by equity, factoring in changes in the number of shares during the fiscal period

2) March 15, 2021: Total equity changed due to paid in rights issue and therefore equity figures have been annualized, KRW 72,766 million (total dividends paid in 2021) ÷ KRW 1,123,725 million (equity)
(Equity KRW 1,123,725 million = Equity before rights issue (12 months) + Equity after rights issue* (9.5 months)
= KRW 859,827 million + KRW 333,345 million*(9.5 ÷ 12))

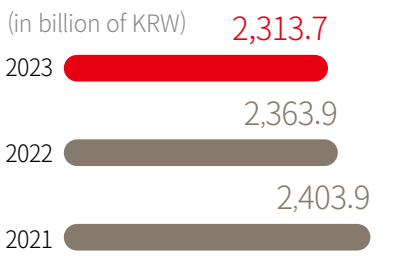
3) KRW 74,468 million (total dividends paid in 2022) ÷ KRW 1,193,172 million (equity)

4) KRW 49,716 million (total dividends paid in 2023) ÷ KRW 1,193,172 million (equity)

Total assets

KRW 2,313.7 billion

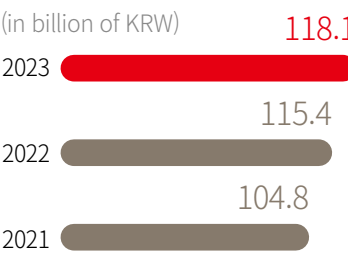
As of the end of 2023, total assets amounted to KRW 2,313.7 billion, down 2.1% YoY (net decrease of approximately KRW 50.2 billion) compared to KRW 2,363.9 billion at the end of 2022.



Operating revenue

KRW 118.1 billion

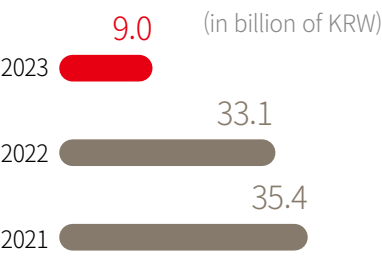
As of the end of 2023, Operating revenue amounted to KRW 118.1 billion, up 2.3% YoY (net increase of approximately KRW 2.7 billion) compared to KRW 115.4 billion at the end of 2022.



Net income

KRW 9.0 billion

As of the end of 2023, net income stood at KRW 9.0 billion, down 72.7% YoY (net decrease of approximately KRW 24.1 billion) compared to KRW 33.1 billion at the end of 2022.



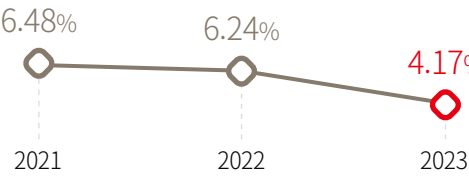
Annualized dividend per share

KRW 205

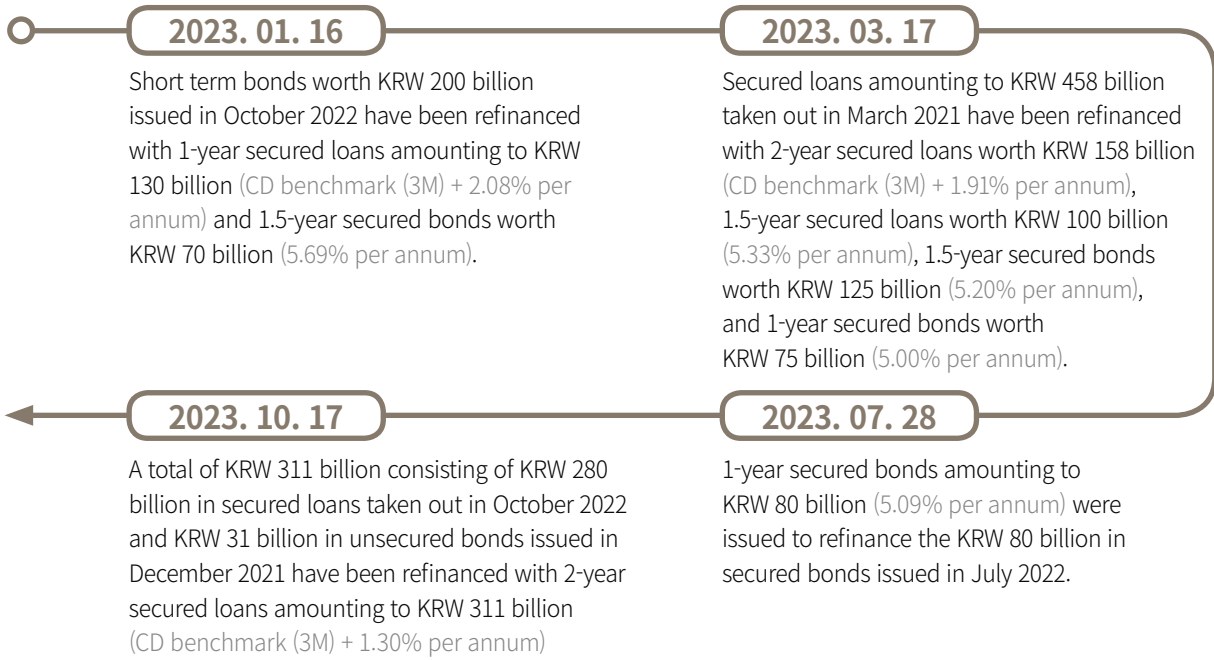
(as of the end of Dec. 2023)

Dividend yield

4.17%

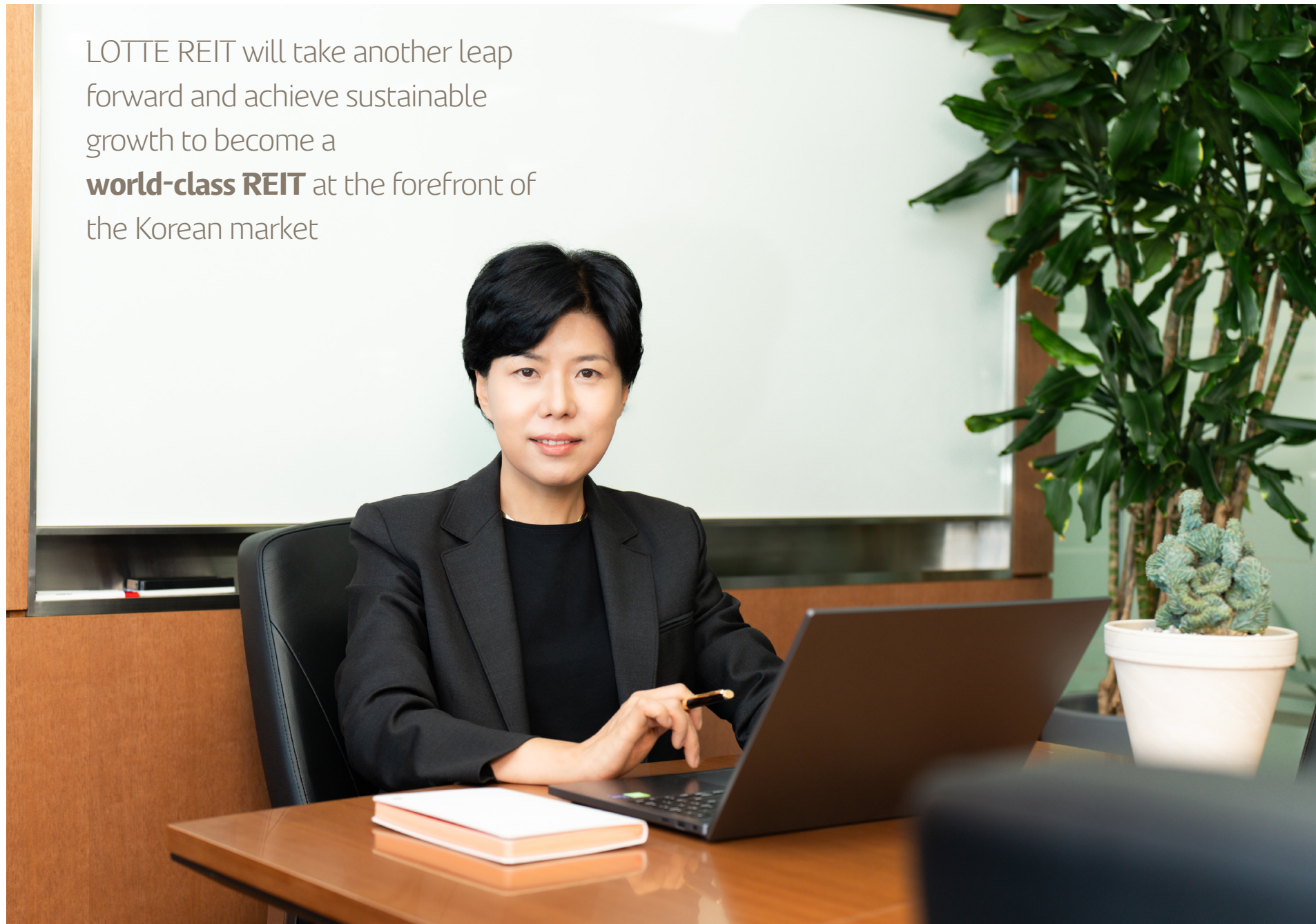


Refinancing



CEO's Message

LOTTE REIT will take another leap forward and achieve sustainable growth to become a **world-class REIT** at the forefront of the Korean market



C E O K I M S O Y E O N

To all respected stakeholders who have stood with LOTTE REIT,

I would like to express my sincere gratitude for your unwavering support and interest in LOTTE REIT this year.

2023 was a year of tumultuous change. The COVID-19 endemic declaration triggered a wave of change across various sectors. The world economy entered a period of heightened uncertainty due to prolonged low growth and rising inflation. Particularly, the global commercial real estate market including those in Korea and the United States, experienced a downturn under high-interest rate policies, leading to a significant decline in Korean REITs' stock prices.

Despite challenging circumstances, LOTTE REIT demonstrated its strong crisis management capabilities through stable refinancing and asset management principles aimed at sustainable growth. I would like to thank everyone for your support. Allow me to share key performance highlights for 2023.

◆ We recorded operating revenue of KRW 118.1 billion, operating profit of KRW 70.9 billion, and divisible profit of KRW 49.8 billion.

While operating revenue (rental income) increased by 2.3% compared to the previous year, divisible profit decreased by KRW 24.7 billion due to increased interest expenses resulting from the interest rate hike. Buoyed by increasing rental income from master lease agreements, we will focus on managing diversified debt maturities and risks down the road.

◆ We successfully refinanced borrowings that matured amounting to KRW 1.049 trillion with an average borrowing rate of 5.37%.

We refinanced a total of KRW 1.049 trillion spread across January (KRW 200 billion), March (KRW 458 billion), July (KRW 80 billion), October (KRW 280 billion), and December (KRW 31 billion), considering market conditions at each borrowing stage based on a range of different financing options reviewed in advance. We minimized market risk by diversifying our maturities over 1 to 3 years and creating a good balance between fixed and floating rates. Notably, we proactively responded to year-end financial market fluctuations by pre-arranging secured loans in October to refinance unsecured bonds amounting to KRW 31 billion maturing in December.

Dear Shareholders,

Having successfully completed its IPO as Korea's largest REIT, LOTTE REIT will not rest on past successes but rather create opportunities amid crises to open up a new chapter of growth. We will review our existing investment strategy and take the first steps towards restructuring into a stable business structure resilient to future market changes. We will undergo transformations to maximize shareholder value even in highly uncertain environments by employing the following growth strategies.

◆ LOTTE REIT will actively consider including external assets in our portfolio.

In addition to ROFO (Right of First Offer) assets from LOTTE Group subsidiaries, we will actively review the acquisition of external assets that contribute to increasing LOTTE REIT shareholder value.

2024 is expected to be a highly uncertain year for the real estate market. We believe that asset managers' capabilities that discern the gemstones will be more important than ever, and we see this as an excellent opportunity to maximize investment performance through differentiated asset management.

To this end, we will closely monitor market conditions to identify good investment opportunities and maximize synergies with existing assets by utilizing our strengths, such as attracting highly creditworthy tenants.

◆ LOTTE REIT will promote portfolio growth and improvement leveraging our high credit rating.

We will continuously maintain and bolster our strong fundamentals supported by stable rental income from existing high-credit sponsors, sound financial structure owing to low LTV, and excellent independent credit rating (AA- for public secured bonds).

Taking advantage of these strengths, in 2024, we will extend investment sectors to external assets with growth potential through competitive financing, aiming for new heights as the leading REIT in Korea, balancing stability and growth.

In 2024, LOTTE REIT will spearhead the Korean REIT market as a global REIT, maximizing shareholder value and investment attractiveness. Your constant trust and interest are the driving force that propels LOTTE REIT forward. We kindly ask for your continued interest and support.

Thank you.



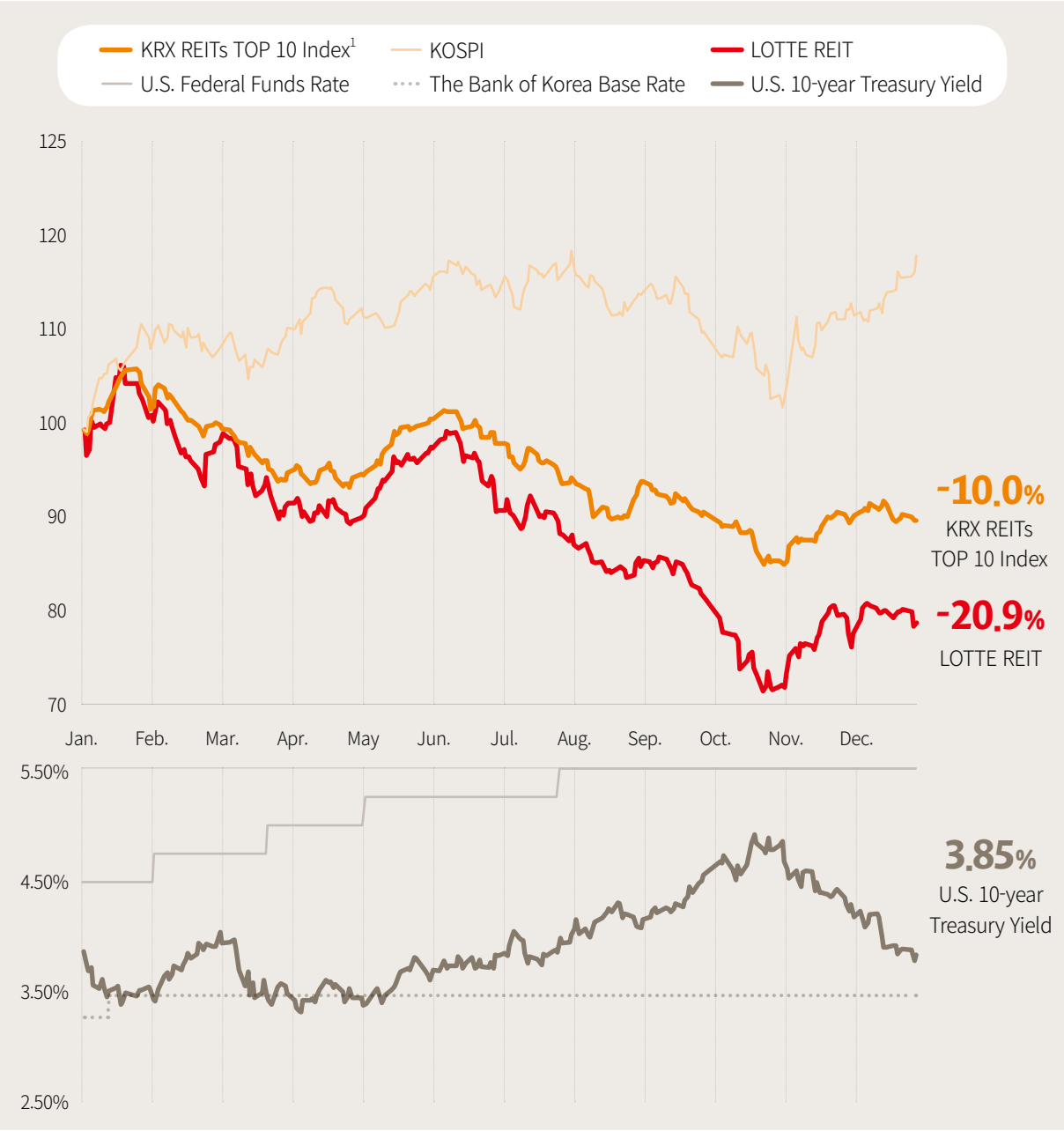
LOTTE AMC
CEO **KIM SO YON**



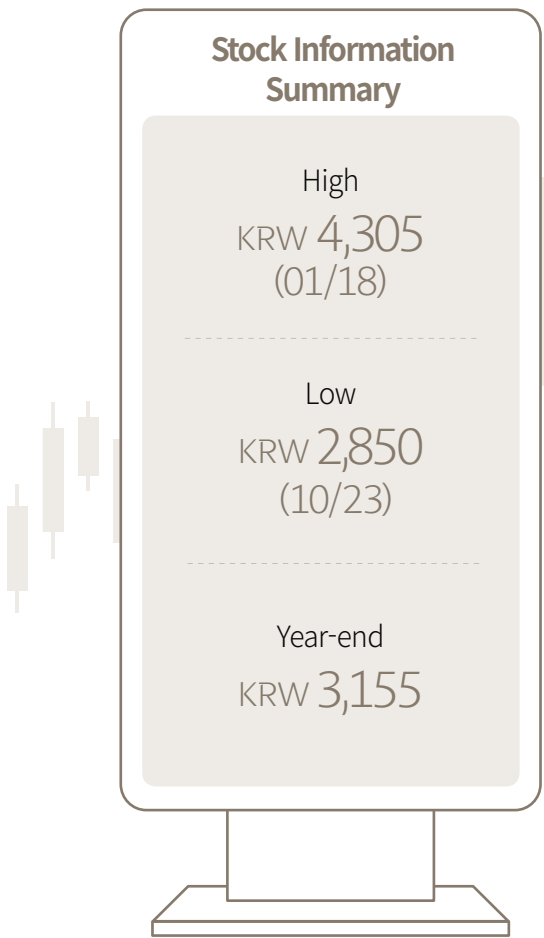

Building the future of investment

Market and Stock information

Listed REITs in Korea and Global Interest Rate Trends (2023)



1) KRX REITs TOP 10 Index: Calculated by weighting the top 10 listed REITs in the domestic stock market, including LOTTE REIT, by their market capitalization.



Dividend

	2021	2022	2023
Dividend per share (KRW)	299	306	205
Dividend yield (%) ²	6.48 ³	6.24 ⁴	4.17 ⁵

2) Dividend yield refers to annualized dividend yield; annualized dividend yield is calculated by dividing total dividends by equity, factoring in changes in the number of shares during the fiscal period

3) March 15, 2021: Total equity changed due to paid in rights issue and therefore equity figures have been annualized, KRW 72,766 million (total dividends paid in 2021) ÷ KRW 1,123,725 million (equity); (Equity KRW 1,123,725 million = Equity before rights issue (12 months) + Equity after rights issue* (9.5 months) = KRW 859,827 million + KRW 333,345 million* (9.5 months ÷ 12)

4) KRW 74,468 million (total dividends paid in 2022) ÷ KRW 1,193,172 million (equity)

5) KRW 49,716 million (total dividends paid in 2023) ÷ KRW 1,193,172 million (equity)

2023 Market Review

This year, the stock prices of Korean REITs, including LOTTE REIT, showed a negative correlation with U.S. treasury yield, which is the global benchmark rate. In the first half of the year, financial services stocks (banks, REITs) experienced overall weakness due to the bankruptcy of Silicon Valley Bank and the bank run crisis in regional banks in the United States. In the latter half of the year, the U.S. federal funds rate was further raised, the U.S. credit rating got downgraded, and CPI exceeded expectations, leading to the highest level in 16 years for the U.S. 10-year treasury yield, reaching 4.99% in October. Consequently, the KRX Top 10 REITs Index hit its annual low. In November, speculations that the U.S. federal funds rate was reaching its peak began to spread and the FOMC meeting in December alluded to interest rate cuts beginning next year. This has triggered a recovery in REIT stock prices.

LOTTE REIT - Recovery after deepening concerns about refinancing in a high-interest rate environment

LOTTE REITs' stock price fell more than the REITs index due to the KRW 1 trillion refinancing schedule concentrated during the peak interest rate period. Four refinancings were completed in January (KRW 200 billion), March (KRW 458 billion), July (KRW 80 billion), and October (KRW 311 billion), respectively. Persistent dividend reduction risks since January led to underperformance of the REITs index. Particularly in the latter half of the year, as market interest rates surged led by U.S. treasury yields, the gap between LOTTE REIT's stock price and the REITs index widened, hitting an annual low in October. As upward pressure on global interest rates began to ease in November, LOTTE REIT's stock price rebounded by 10.7% compared to its low in October. (As of the end of 2023)

Global Index

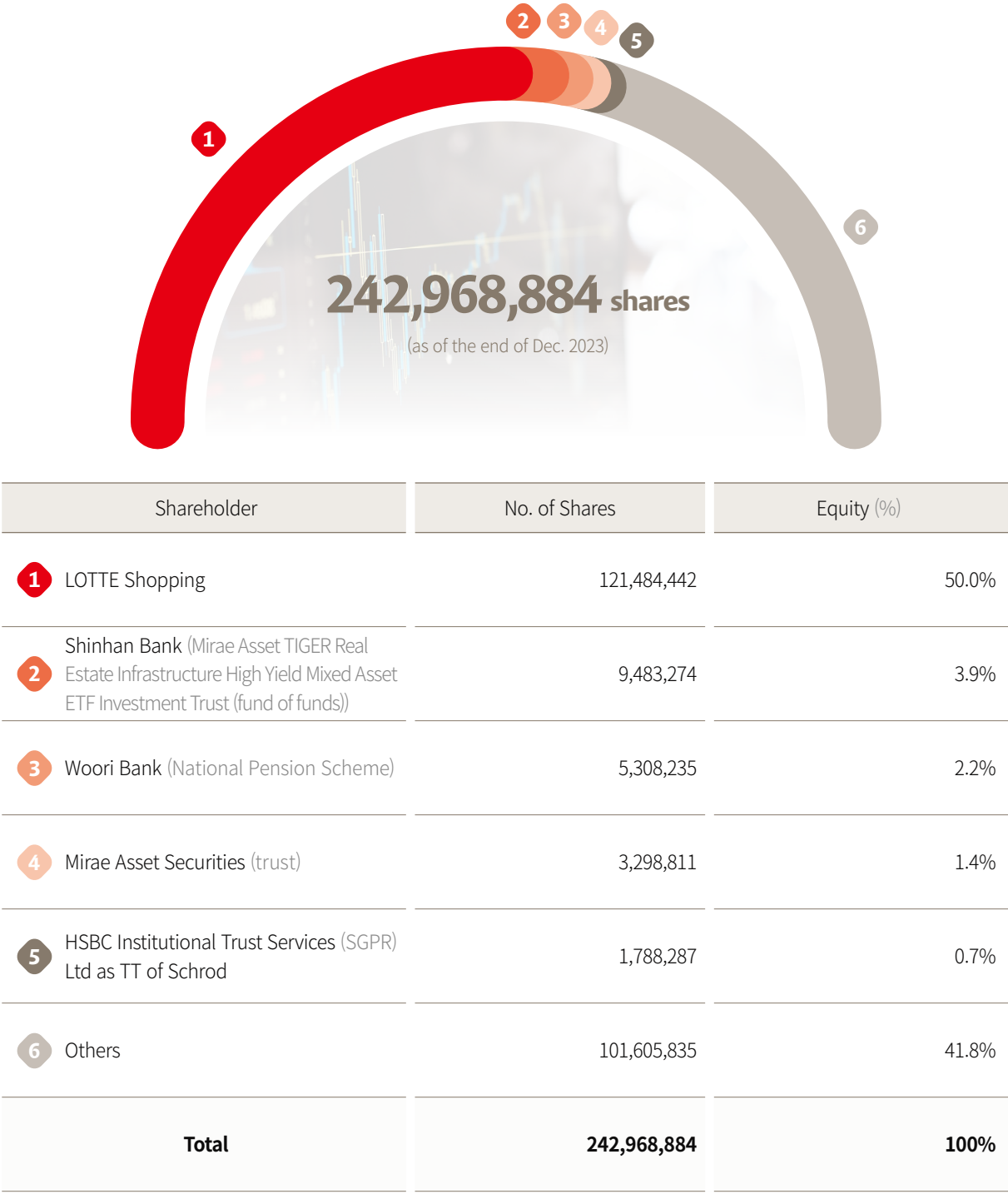
Since our listing in 2019, LOTTE REIT has been included in various global REIT indices. LOTTE REIT became the second publicly-listed REIT in Korea to be included in the FTSE EPRA Nareit Global index, FTSE EPRA Nareit Developed Asia index, which are leading global benchmark REIT indices. The inflow of passive funds resulting from this achievement will help attract foreign investors, increase our stock price, and mitigate future volatility.

Ticker	Index
BBAREIT	Bloomberg Asia Real Estate Investment Trust Index
RUGA	EPRA NAREIT Asia Total Return Index USD
ENXG	FTSE EPRA Nareit Global REITs TR Index
ENGLUHTR	FTSE EPRA Nareit Developed 100% Hedged to USD Total Return Index
RRAHUTR	FTSE EPRA Nareit Developed Rental Index UnHedged in AUD Net
MREIGRGP	Morningstar Global Markets REIT NR GBP
MREIGRGG	Morningstar Global Markets REIT GR GBP
SPBMWDU	S&P Developed Property Index
SREIT	S&P Developed REIT Index
SDLR6N	S&P Developed REIT Retail - NET TOTAL RETURN Index
SGYUR	S&P Global Ex Japan REIT (US Dollar) Index
SPBMGUU	S&P Global Ex U.S. Property U.S. Dollar Index
SPBMGPPU	S&P Global Property USD Index
SREITGL	S&P Global REIT USD Index
SGU23B	S&P Globall BMI Real Estate Index
SPAXJRUP	S&P Pan Asia Ex-Japan, AU, NZ REIT (US Dollar)
SPPARPU	S&P Pan Asia REIT U.S. Dollar Index

* as of the end of Dec. 2023

Ownership Structure

LOTTE Shopping holds 121,484,442 shares, or 50% of the total issued shares. Not only major domestic institutional investors but also global asset management firms such as BlackRock and Vanguard have been continuously investing in LOTTE REIT through various funds.



[Special Report]

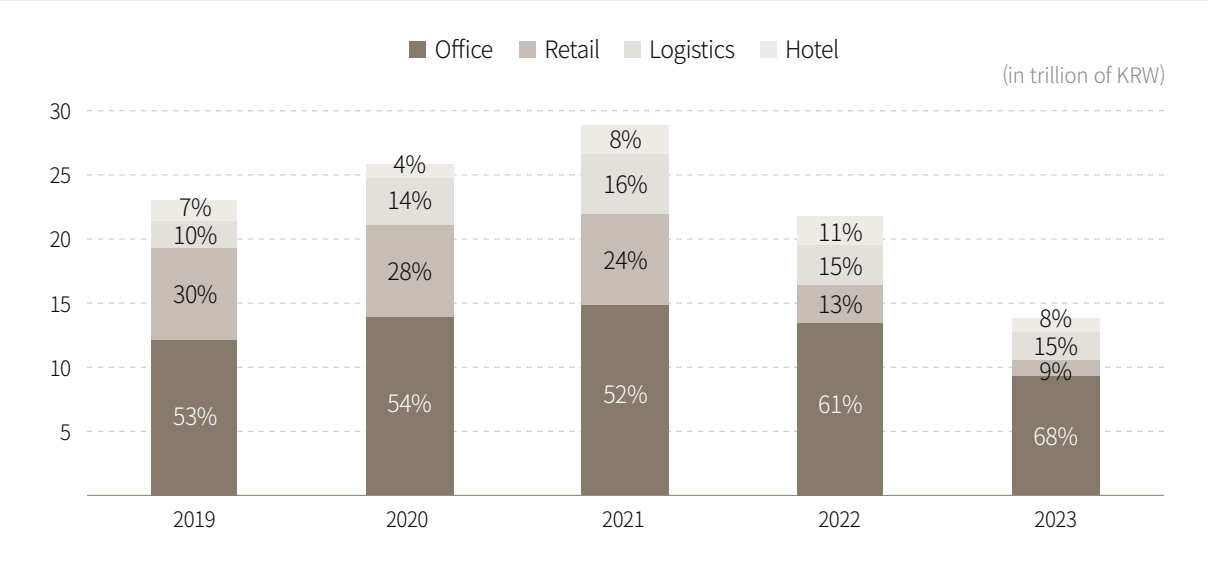
2024 Real Estate Market Outlook

Jieun Hong, Executive Director of Research & Consultancy, Savills Korea

In 2023, the scale of commercial real estate investments in South Korea amounted to KRW 14 trillion, marking a second consecutive year of decline following 2022. In 2021, when total investments peaked at KRW 29 trillion, the share of the retail sector as a proportion of transactions fell from 24% to

approximately 9%, indicating a significant decrease in both scale and proportion. Meanwhile, although total investments in office decreased, its proportion of total transactions increased from 52% to 61%, ultimately settling at 68%.

[Graph ①] South Korean Commercial Real Estate Investments, 2019 - 2023



Source: Savills Korea

Direct Hit from Rising Interest Rates in 2023

The slowdown in overall investments was largely due to three factors.

First, there was a sharp increase in interest rates. Although the Bank of Korea raised its base rate to 3.5% in January 2023 and maintained it throughout the year, there was not enough time to adapt to the steep rise of rates from 0.5% to 3.5% within one and a half years. Moreover, secured loans rates fluctuated due to changes in U.S. interest rates, market liquidity, or unforeseen geopolitical crises.

The next factor was the lack of liquidity. Large institutional investors, such as major pension funds and credit unions' overseas assets, were unable to dispose of assets, especially office buildings, even though asset values have fallen by more

than 30% since the onset of the COVID-19 pandemic that put a significant damper on leasing demand. In Korea, funds have been tied up in development projects, leaving little room for new investments.

Thirdly, there remains a significant disparity in price expectations between buyers and sellers. The gap between the expected prices of buyers anticipating a large decline as witnessed in overseas markets and sellers hoping for a stronger market where leasing demand supports continuous rental increases is not being narrowed. Consequently, the time taken to close a deal has doubled or more compared to previous years, and many transactions have fallen through even after the right of first offer holder was selected.

Relatively Active Investments in Seoul Office Market

Despite a one-third decrease in investment size compared to 2022, office investments in Seoul were the biggest among major cities in Asia and individual asset classes. Factors such as interest rate hikes, reduced liquidity, and disparities in buyer-seller price expectations were evident in other cities as well, but there was a fundamental difference. The vacancy rate in Seoul prime office market remained below

5% throughout 2023, a testament to a robust leasing market supporting investment environments.

Real estate market conditions in 2024 will be more or less similar to that of 2023. However, there will be some important differences which we will need to keep an eye on to see how things play out.

[Graph ②] Transaction Volume in major Asian Cities and Asset Classes (2023)

Investment Scale Rank	City & Sector	Investment Scale (USD 1 bn)	YoY
1	Seoul, Office	\$7.3	-32.3%
2	Tokyo, Office	\$7.1	-45.7%
3	Tokyo, Retail	\$5.1	+104.0%
4	Shanghai, Office	\$4.8	-60.7%
5	Singapore, Retail	\$4.3	+57.0%
6	Seoul (Metropolitan Region), Logistics	\$3.3	-39.7%
7	Hong Kong, Office	\$3.8	+398.1%
8	Singapore, Office	\$3.0	-45.8%
9	Sydney, Logistics	\$2.5	-31.0%
10	Shanghai, Logistics	\$2.1	+60.8%

Source: Savills Korea

2024: Keeping Close Watch on Leasing Market Conditions

In 2024, the leasing market is expected to remain a critical variable. Across both office and logistics sectors, sales of properties with long-term lease agreements with high-quality tenants were closed with almost no price adjustments compared to those without such conditions. As leasing demand in 2024 is expected to decrease compared to 2023 due to the economic slowdown, these differences are expected to be more evident. With economic growth slowing down, the economic outlook for 2024 is also looking quite bleak. Given these circumstances, big companies and their affiliates will be the only tenants looking to lease larger spaces or enter into new lease agreements, which means the tenant pool (number of potential corporate tenants) in 2024 will shrink compared to that of 2023. Therefore, maintaining existing tenants rather than attracting new tenants to fill vacancies will be crucial.

Another aspect to consider is the ESG boom. ESG has already become mainstream in the European real estate market, and interest in ESG began to pick up in the South Korean real estate market as well in 2022. As such, it is expected that ESG will play a prominent role in South Korean real estate in 2024. Tenants, especially multinational corporations, will demand higher environmental standards, prompting property owners to enhance their assets through renovations or improvements to meet these standards.

Although the circumstances will differ from country to country and regulations in the APAC region are not yet stringent enough to require immediate reconstruction work, regulatory pressures in South Korea are steadily building up as the government is also pushing for changes aligned with its goal of phasing out carbon emissions by 2050 and transitioning to green energy.

Sustainable building certifications are a must, especially for multinational tenants, and these are gradually reflected in rent prices. According to Savills Research, the rent premium for green-certified buildings in major office markets across Asia last year ranged from 2.3% to 18.6%.

The consensus in the market is that 2024 will be a clear shift from the aftermath of the steep interest rate hikes witnessed in 2023 as an interest rate cut is forecasted in the second half of the year. Korea's REIT market appears to be advancing toward another growth period after experiencing an aggressive external growth in the early stage and overcoming the interest rate hikes. In 2024, REITs adhering to the fundamentals – profitable asset acquisition and management for shareholder value - will stand out.

Building the future of investment

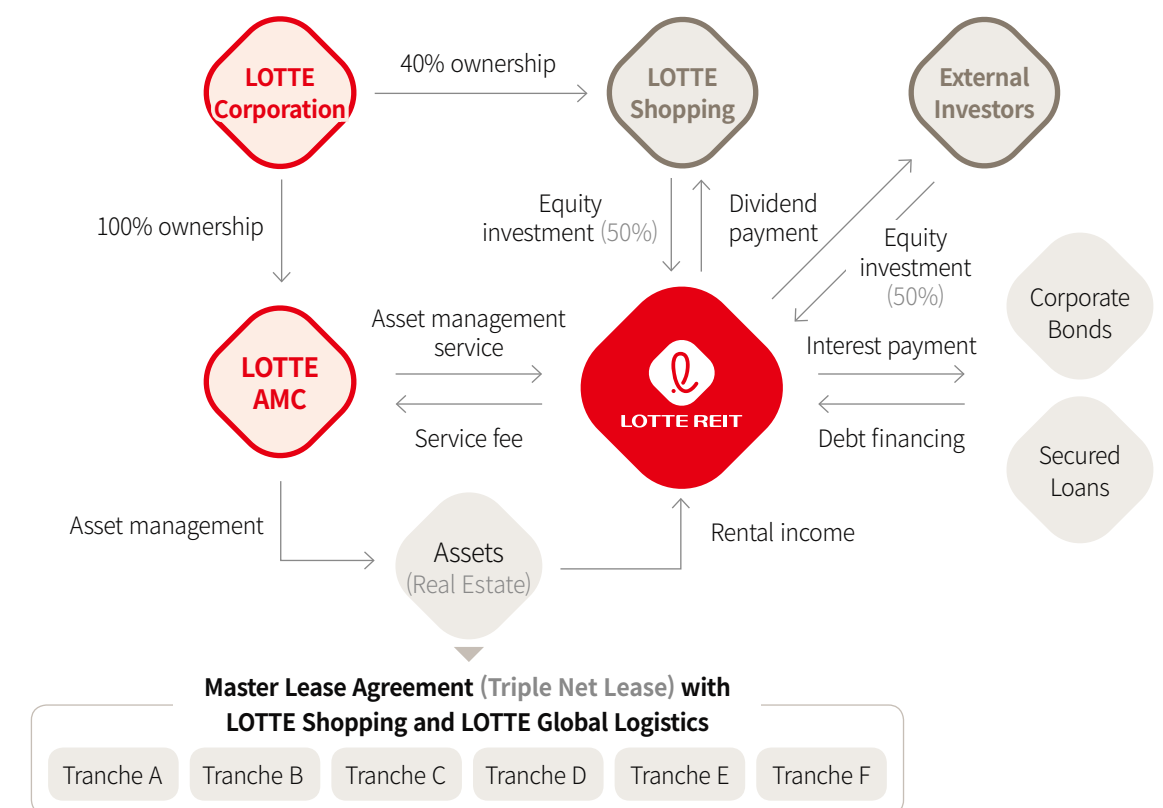
STRATEGIC REPORT

LOTTE REIT will maintain a rate of return through strategic financing market and conditions. Furthermore, we will pursue both quantitative and qualitative growth by investing actively in blue-chip assets within and outside of LOTTE Group.

Investment Structure

Business and Ownership 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.



Investment and Financing Structure

(in billion of KRW)

Total Investments		Financing	
Asset value	2,300.6	Equity	1,193.1
		Secured bonds	440.0
		Secured loans	699.0
Incidental costs of acquisition	143.4	Deposits	109.6
		Other	2.3
Total	2,444.0	Total	2,444.0

Summary of Operating Performance

(in billion of KRW)

Category	2022	2023	Change (%)
Operating revenue	115.4	118.1	2.3%
Operating expenses	47.5	47.2	(0.8%)
Operating profit	67.9	70.9	4.5%
Net income before tax	33.1	9.0	(72.7%)
Income tax	-	-	
Net income	33.1	9.0	(72.7%)

Despite the lasting effects of the ongoing pandemic, LOTTE REIT posted a steady stream of rental income thanks to blue-chip tenants and strong lease agreements.

In 2023, LOTTE REIT posted an operating revenue of approximately KRW 118.1 billion, 2.3% increase YoY (net increase of approximately KRW 2.7 billion), and generated an operating profit of approximately

KRW 70.9 billion, up 4.5% YoY (net increase of approximately KRW 3.0 billion).

Net income for 2023 was approximately KRW 9.0 billion, 72.7% decrease YoY (net decrease of approximately KRW 24.3 billion), due to the increase in borrowing costs from refinancing KRW 1,049 billion in 2023. LOTTE REIT is focusing on reducing borrowing costs in response to higher interest rates.

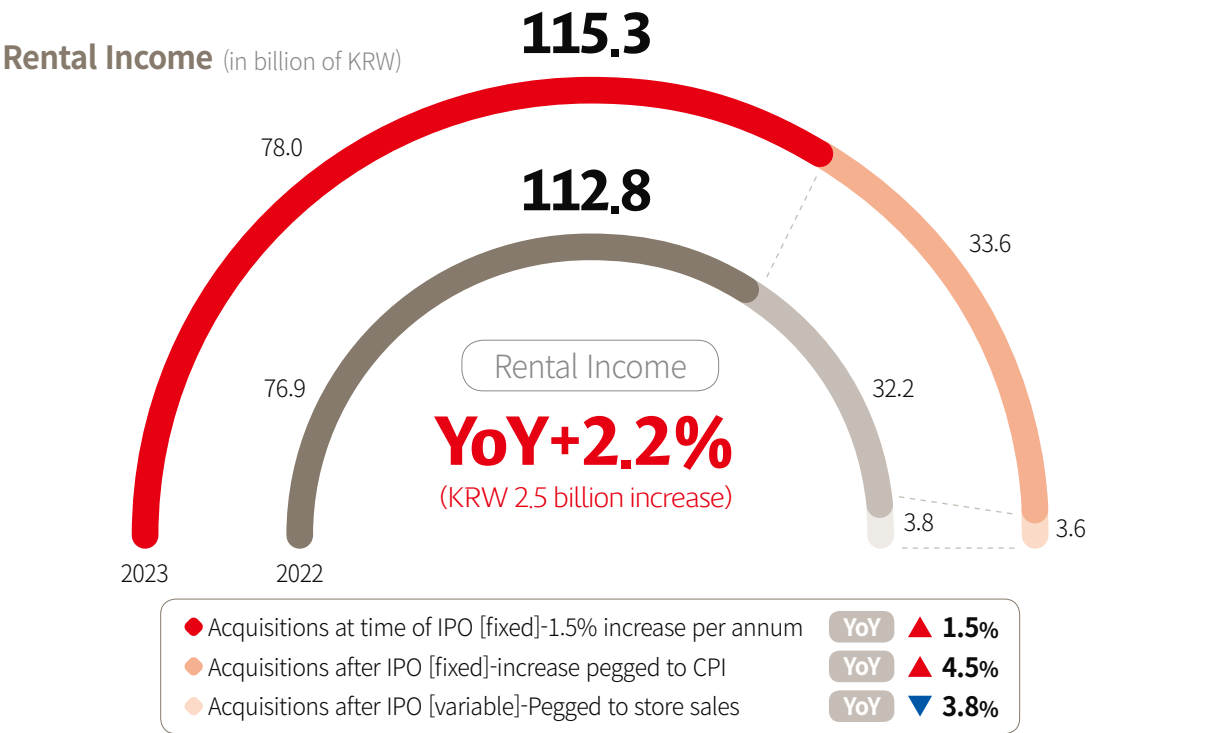
(in billion of KRW)

Category	2022	2023	Change (%)
Dividends	74.5	49.7	(33.2%)
Equity	1,193.2	1,193.2	0.0%
Dividend yield ¹	6.24%	4.17%	(2.07p%)

Since publicly listed, as of the end of December 2023, LOTTE REIT has distributed the entirety of net income plus depreciation expense, and has paid KRW 49.7 billion in dividends in 2023, which is a 33.2% decrease YoY

(approximately KRW 24.8 billion net decrease).
The annualized dividend yield for 2023 that reflects the investment period for equity stands at 4.17%.

1) Annualized dividend yield calculated by dividing total dividends by equity, factoring in changes in the number of shares during the fiscal period



* The above sales do not reflect rent deposits.

Approximately 96.9% of the total rent is fixed rent, which minimizes volatility. Furthermore, long-term and triple-net lease agreements ensures smooth operations without any cost transfers to LOTTE REIT. Total rental income in 2023 was approximately KRW 115.3 billion, an increase of roughly 2.2% YoY (net increase of approximately KRW 2.5 billion).

the time of IPO increased by 1.5%. Lease agreements on properties acquired after 2021 are hybrid formats applying a mix of fixed rent pegged to the preceding year’s CPI and variable rent based on store sales. CPI-adjusted fixed rent and variable rent based on store sales on properties acquired after 2021 increased by approximately 4.5% (approximately KRW 1.5 billion net increase) and -3.8% (approximately KRW 0.1 billion net decrease), respectively.

The rent status by rent terms and conditions shows that fixed monthly rent for retail properties acquired at

Rent Status by Tenant

(in billion of KRW)

Category	2022		2023	
	Amount	Proportion	Amount	Proportion
LOTTE Shopping	108.4	96.1%	110.7	96.0%
LOTTE Global Logistics	4.4	3.9%	4.6	4.0%
Total	112.8	100%	115.3	100%

* The above sales do not reflect rent deposits.

Since publicly listed, as of the end of December 2023, LOTTE REIT has delivered robust growth thanks to long-term lease agreements with its sponsors LOTTE

Shopping and LOTTE Global Logistics. Roughly 96% of LOTTE REIT’s total rental income in 2023 came from LOTTE Shopping and 4% from LOTTE Global Logistics.

Financial Review

Financial Summary

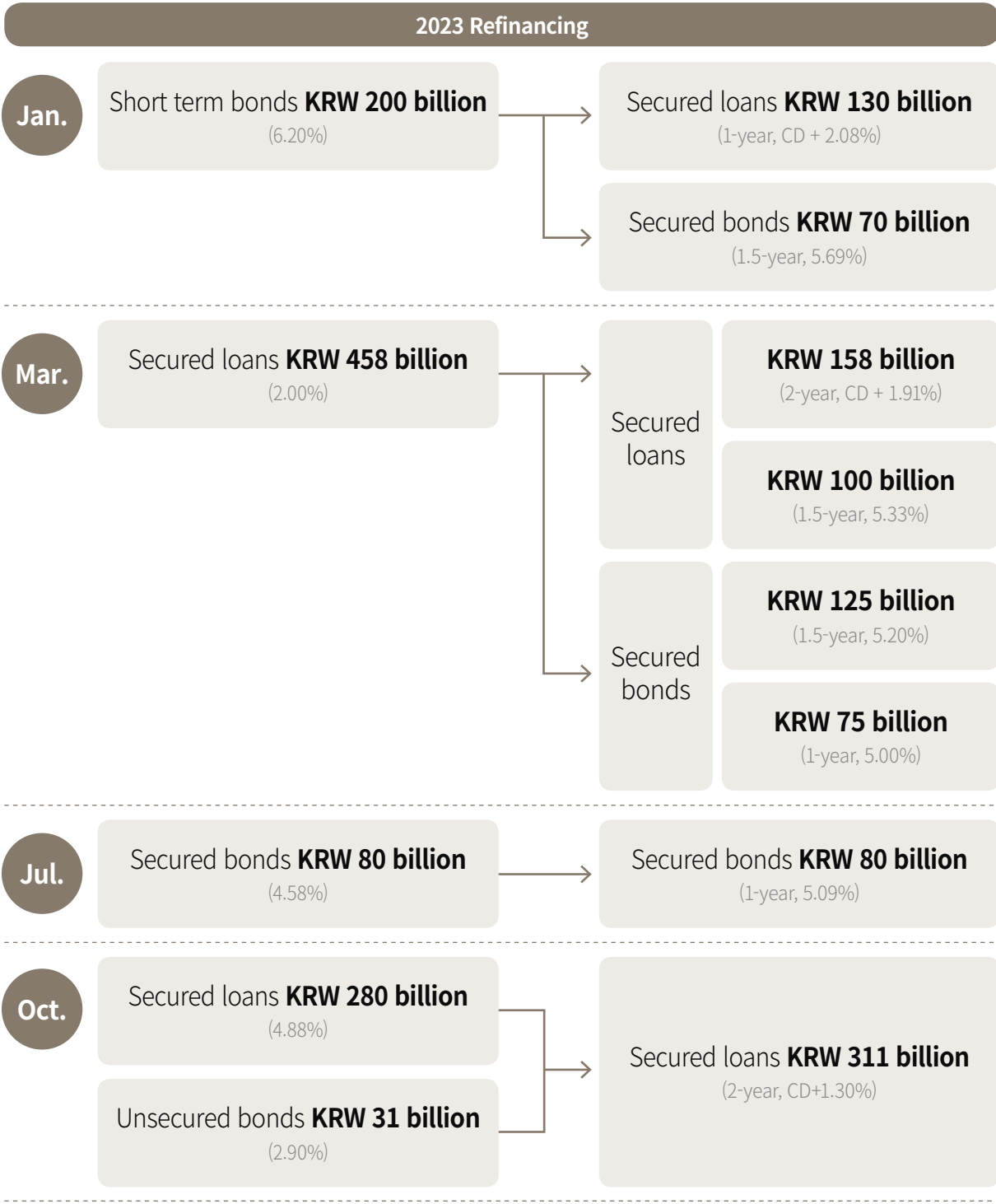
(in billion of KRW)			
Category	2022	2023	Change (%)
Assets			
Current assets	56.7	47.2	(16.7%)
Non-current assets	2,307.2	2,266.4	(1.8%)
Total assets	2,363.9	2,313.7	(2.1%)
Liabilities			
Current liabilities	1,060.3	685.4	(35.4%)
Non-current liabilities	195.8	572.8	192.5%
Total liabilities	1,256.1	1,258.2	0.2%
Equity			
Share capital	121.5	121.5	0.0%
Capital surplus	1,060.9	1,060.9	0.0%
Retained earnings	(74.7)	(127.0)	70.0%
Total equity	1,107.7	1,055.5	(4.7%)
Total liabilities and equity	2,363.9	2,313.7	(2.1%)

In March 2021, LOTTE REIT acquired six assets worth around KRW 780 billion through rights issue, and in December, acquired one additional asset amounting to KRW 34.6 billion using funds on hand and corporate bond issuances. However, in light of rising interest rates in 2022~2023, LOTTE REIT decided to focus on consolidating our bottom line by managing existing assets rather than concentrating on external growth.

In 2023, total assets decreased by 2.1% YoY, total liabilities increased by 0.2% YoY, and total equity decreased by 4.7% YoY, and the debt-to-equity ratio at the end of 2023 was 119.2%, up 5.8%p YoY. In addition, as of the end of December 2023, our LTV was kept stable at 49.5%, which is superior to the average LTV of Korean REITs and funds.

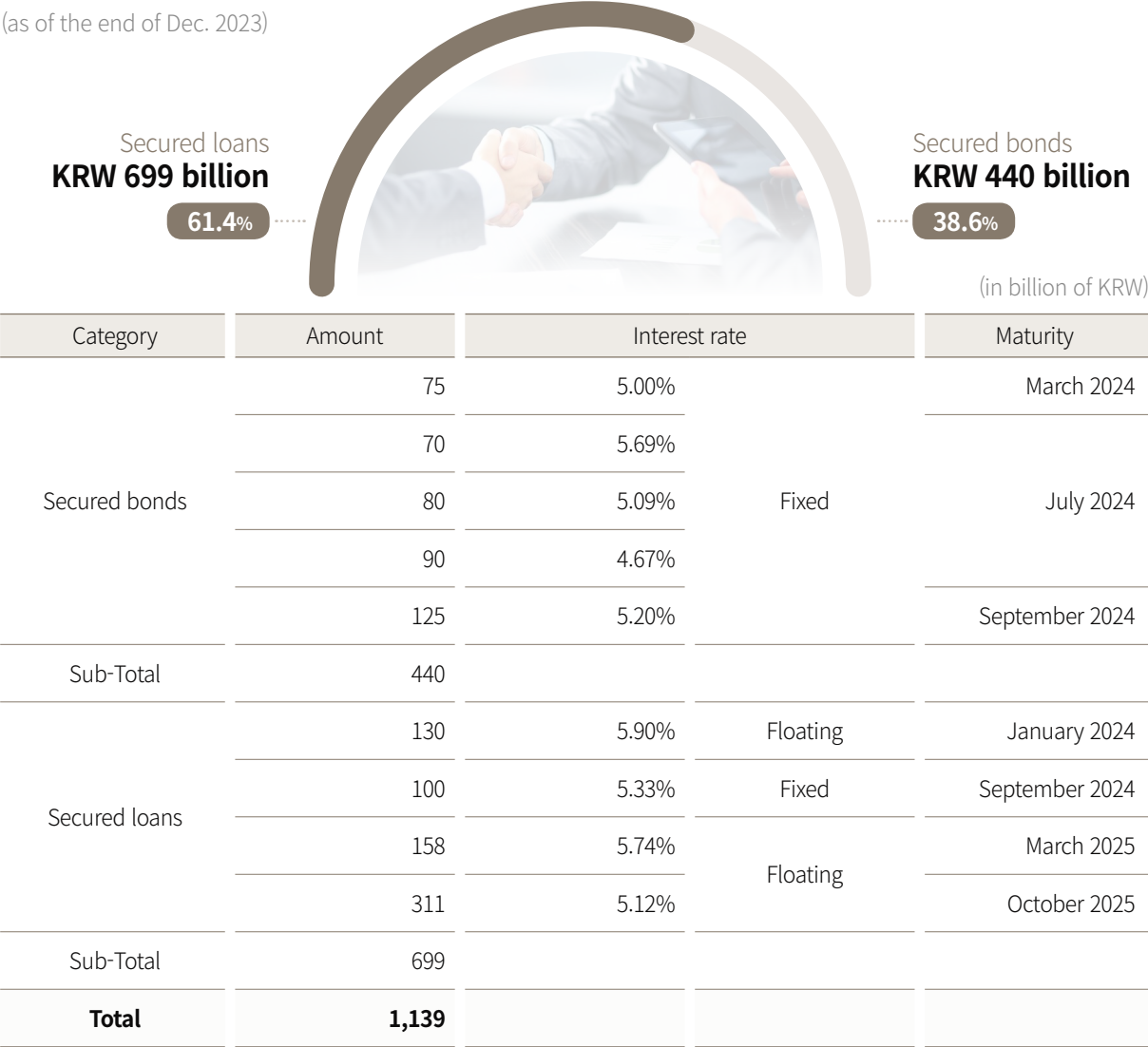
Refinancing

LOTTE REIT has created a stable borrowing structure by refinancing a total of KRW 1.049 trillion (92.1% of total borrowings) in 2023 thanks to its excellent credit standing.



LOTTE REIT’s Borrowing Structure

(as of the end of Dec. 2023)

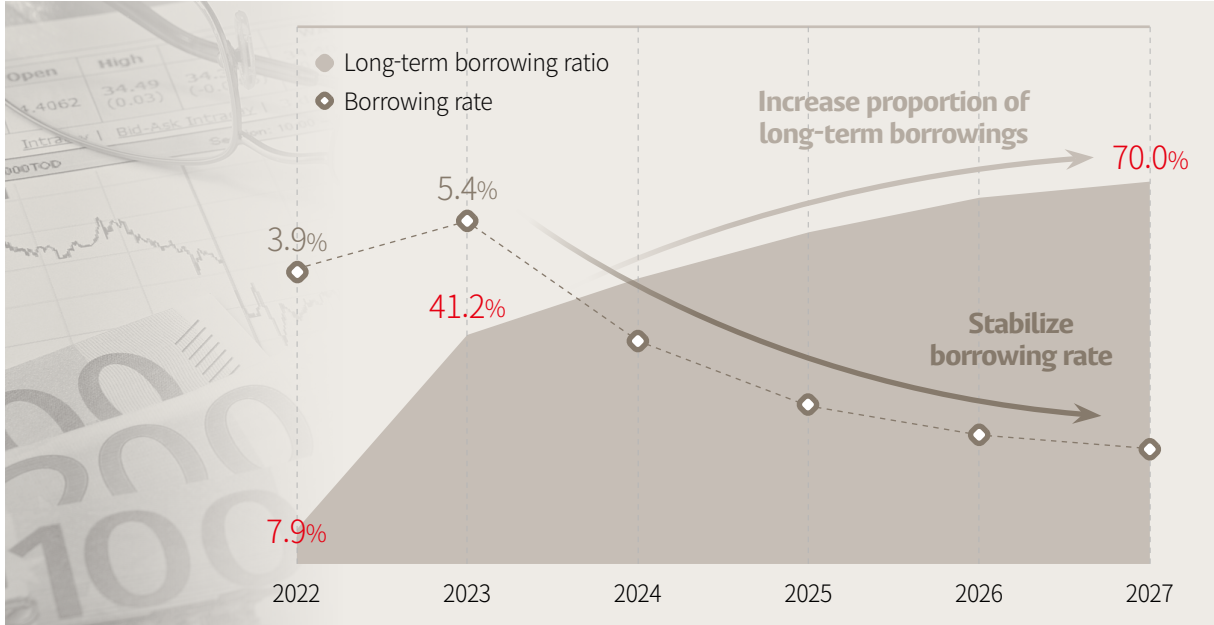


Financial Strategy

Financing Strategy

Basic strategy	Long-term financing, fixed interest rate	
	Short-term strategy (interest rate hike and high interest rate environment)	Medium- and long-term strategy (stabilized interest rates)
Response strategy	<div>- Diversify financing channels such as secured and unsecured bonds</div> <div>- Utilize funds within a two year maturity which offers the most reasonable financing rates</div> <div>- Simplify the maturity schedule along with each asset acquisition</div>	<div>- Gradually increase the proportion of long-term borrowings when refinancing</div> <div>- Maintain a long-term borrowing ratio at around 70%</div> <div>- Build a stable financing structure by long-term borrowings when acquiring additional assets</div>

Long-term borrowing ratio targets



In 2023, KRW 1.049 trillion, approximately 92.1% of the total borrowings (KRW 1.139 trillion), was refinanced. In 2024, KRW 670 billion, which amounts to roughly 58.8% of the total borrowings, will mature.

LOTTE REIT is raising funds through various methods such as issuing secured and unsecured bonds as a short-term financing strategy in line with the high interest rate environment. We plan on borrowing with a two-year or shorter maturity that offers lower interest rates. In the mid- to long-term we will consolidate and simplify the dispersed maturity schedule that resulted from additional acquisitions.

Once interest rates stabilize, the long-term borrowing ratio will be increased by converting short-term borrowings to long-term borrowings with maturities of two years or longer. The long-term borrowing ratio increased from about 7.9% of total borrowings as of the end of December 2022 to 41.2% as of the end of 2023. In addition, when acquiring new assets, long-term borrowings with maturities of three years or more will be used to minimize fluctuations in interest expense caused by market changes.

Securing competitive interest rates backed by high credit ratings



As a mega REIT in Korea, LOTTE REIT has competitive interest rates thanks to our excellent credit ratings. We will leverage the merits of being a large-scale REIT and pursue strategic financing methods, aligning decisions

on financing size and methods such as bank loans or corporate bonds with market interest rates and economic conditions.

Future Strategy

Investment Strategy

Investment Targets

LOTTE REIT is committed to acquiring blue-chip assets that will reinforce our sustained growth. In line with these efforts, we will carry out investment strategies flexible to changes in the real estate market and environment, utilizing not only deal pipelines within LOTTE Group, but also blue-chip assets outside the Group.

	High interest rates	Low interest rates
Market conditions	<ul style="list-style-type: none">· Rising interest rates, increased required rate of return· Subdued investor sentiment, decline in transaction volume	<ul style="list-style-type: none">· Ample liquidity, decreased required rate of return· Asset prices increase due to overheated competition among investors
Investment focus	<ul style="list-style-type: none">· Increase investments in external assets that can deliver top-line growth· More acquisitions of logistics centers, offices, etc.· High-yield equity investment in parallel	<ul style="list-style-type: none">· Secure competitive acquisition prices through LOTTE Group's deal pipeline· Generate capital gains by disposing of assets that increased in value

Investment Amount


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 price hikes amid intensifying competition over bidding, we will approach and review more prudently.



Investment Criteria


We analyze criteria of real estate valuation to invest in assets that are well-located and in areas where properties can be strategically redeveloped in the future.

01




Asset productivity
Assess the ratio of the highest sales in recent 5 years against the asset

02




Asset efficiency
Assess the ratio of the highest sales in recent 5 years against gross floor area

03




Development value
Assess the possibility of rezoning, redevelopment and restrictions

Real Estate Valuation Criteria




04




Securitization potential
Assess the ability to pay rents based on the highest EBITDA in recent 5 years

05




Size of assets
Assess estimated sale price

06



Land value
Assess official individual land values

07



Land price increase
Assess the location of asset based on growth rate of its official individual land value over the past 5 years

Investment Target Areas and Investment Assets by Type

High Priority Investment

(Seoul metropolitan area: Seoul, Gyeonggi, Incheon)

[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

[Investment Value]

Market prices are high while investment risks are low as the market highly appreciates a contributing factor for the rise of real estate value

[Type of Investment Assets]

Retail

Continuous increases in asset value, high value in use of land, prime locations to provide opportunities for rezoning and development

Office

Expected increases in asset value, stable rental demand

Logistics Center

Located in logistics hub areas with transportation infrastructure and high traffic

Data Center

Located in areas with high power demand, customer accessibility and power/telecommunications infrastructure

Other Investment Targets

(Outside the Seoul metropolitan area)

[Main Points of Investment]

Obtain business competitiveness and generate stable cash flow in the key locations of regional metropolitan cities

[Investment Value]

Cap. rates are relatively high compared to those of the Seoul metropolitan area and market prices are low while rental income is high, which lead to exceptional investment value

[Type of Investment Assets]

Retail

Good business performance, abundant local demand, potential to continuously expand market dominance based on competitiveness in the local commercial district

Logistics Center

Regional key logistics centers 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

Lease 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

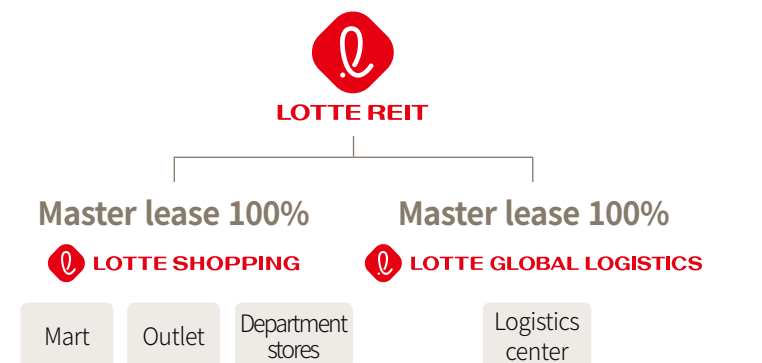
achieves stable growth and this allows us to generate solid cash flow even in the face of such externalities as COVID-19. Furthermore, variable rents are aligned with the sales of tenants so that additional growth in rental income is made possible in line with the growing sales of tenants.

Lease structure

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

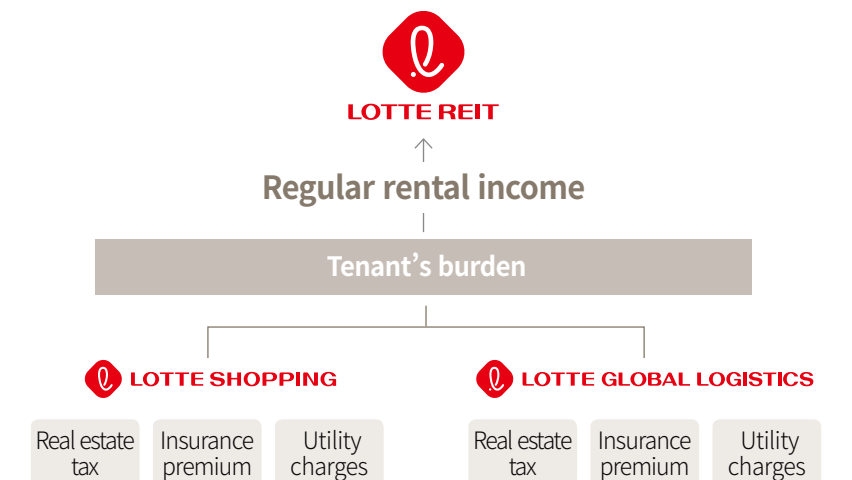
Master Lease

- 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



Tenant Qualifications

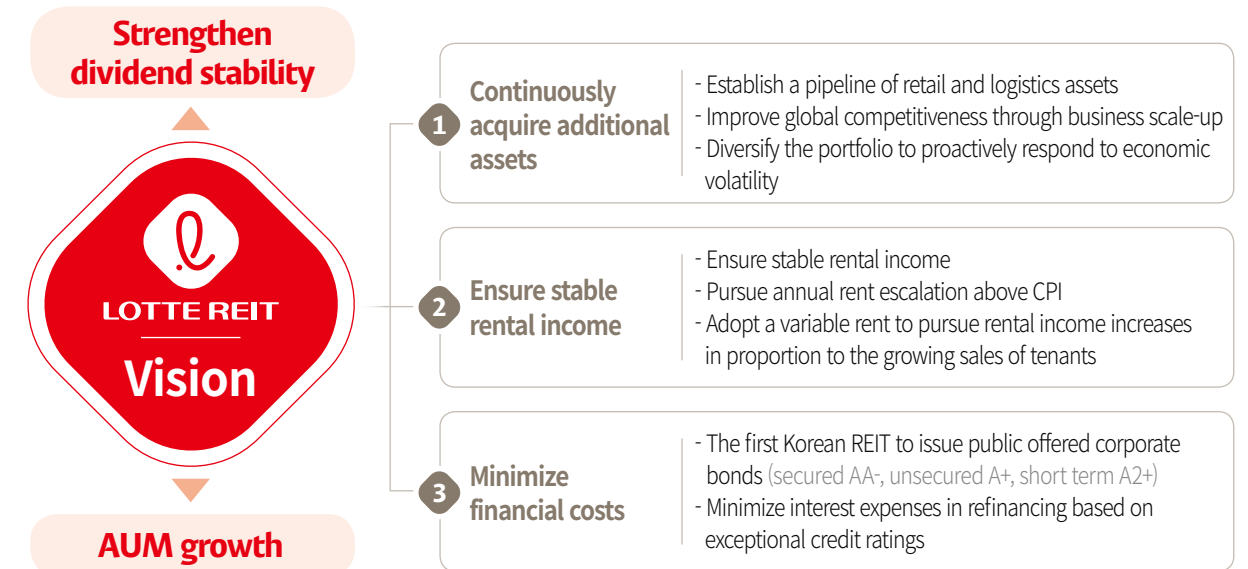
Our top priority is to secure highly reliable master lease tenants. In addition to our blue-chip tenants including LOTTE Shopping and LOTTE Global Logistics, we plan to expand our pool of tenants and recruit tenants outside LOTTE Group who are able to pay rents reliably based

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.

Growth Strategy

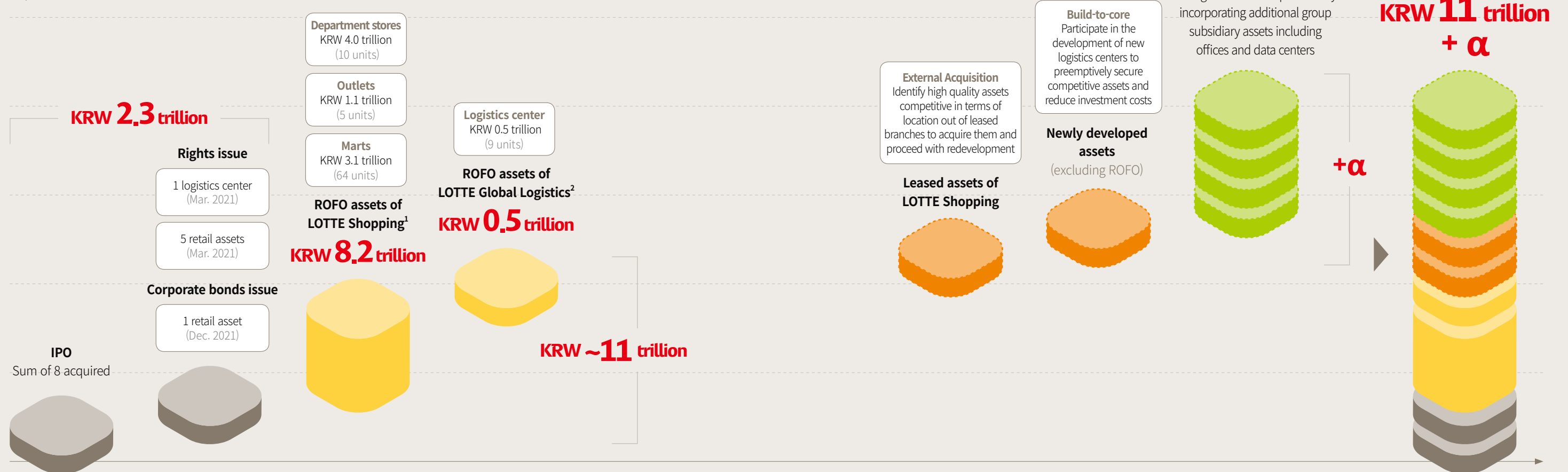
LOTTE REIT signed ROFO (Right of First Offer) agreements on retail assets and logistics centers with LOTTE Shopping and LOTTE Global Logistics to secure long-term growth momentum. We also aim to proactively look into investing in blue-chip assets outside LOTTE Group with strong growth potential and stable businesses so that we can achieve both qualitative and quantitative growth, and further strengthen our portfolio.

LOTTE REIT will steadily continue to acquire additional assets leveraging our excellent credit rating to bolster our global competitiveness, and enhance company value and shareholder value.



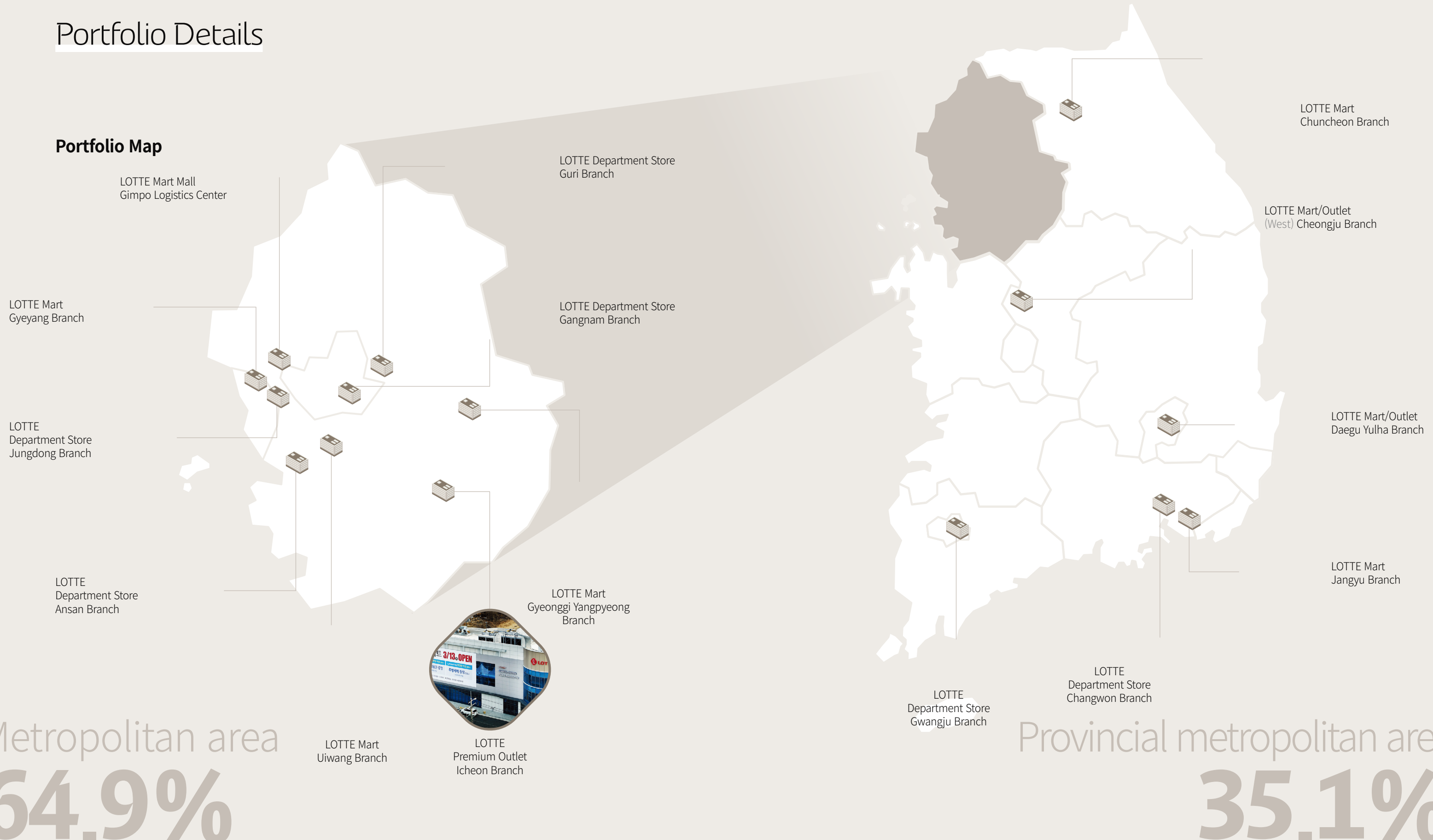
Growth Roadmap

*Expected asset value (in trillion of KRW)



Portfolio Details

Portfolio Map



Asset Portfolio

Tranche	Asset	GFA (㎡)	Acquisition Price (₩RW in billion)	Ratio	Lease Expiry	Rental Rate			
						Fixed rent	Variable rent		
LOTTE Shopping	Trenche A	LOTTE Department Store Changwon Branch	140,977	246.8	10.7%	Oct. 2028	5% of the acquisition price (1.5% annual escalation)		
		LOTTE Mart Uiwang Branch	36,879	137.6	6.0%				
		LOTTE Mart Jangyu Branch	38,838	57.5	2.5%				
		Sub-total	441.9	19.2%					
	Trenche B	LOTTE Department Store Guri Branch	79,271	177.3	7.7%	Oct. 2029			
		LOTTE Mart / Outlet (West) Cheongju Branch	81,616	139.2	6.1%				
		LOTTE Mart / Outlet Daegu Yulha Branch	100,773	170.2	7.4%				
		Sub-total	486.7	21.2%					
	Trenche C	LOTTE Department Store Gangnam Branch	67,517	424.9	18.5%	Oct. 2030			
		LOTTE Department Store Gwangju Branch	92,997	134.4	5.8%				
		Sub-total	559.3	24.3%					
	Trenche D	LOTTE Department Store Jungdong Branch	93,419	171.7	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 Department Store Ansan Branch	54,887	98.6	4.3%				
		LOTTE Mart Gyeongang Branch	58,119	76.1	3.3%				
		LOTTE Mart Gyeonggi Yangpyeong Branch	9,977	34.6	1.5%				
		Sub-total	381.0	16.6%					
		Trenche E	LOTTE Premium Outlet Icheon Branch	162,729	275.3				
LOTTE Mart Chuncheon Branch			40,570	61.0	2.7%				
Sub-total	336.3		14.6%						
LOTTE Global Logistics	Trenche F	LOTTE Mart Mall Gimpo Logistics Center	30,870	95.5	4.2%	Mar. 2036	4.5% of the acquisition price (annual CPI-aligned escalation)		
		Sub-total	95.5	4.2%					
Total		1,089,441	2,300.6	100%					

Note1. Deposits for Tranches A~F: 12-month rents
Note2. Terms and conditions for maintenance fee for Tranches A~F: Triple net (tenants pay for maintenance, insurance and taxes)

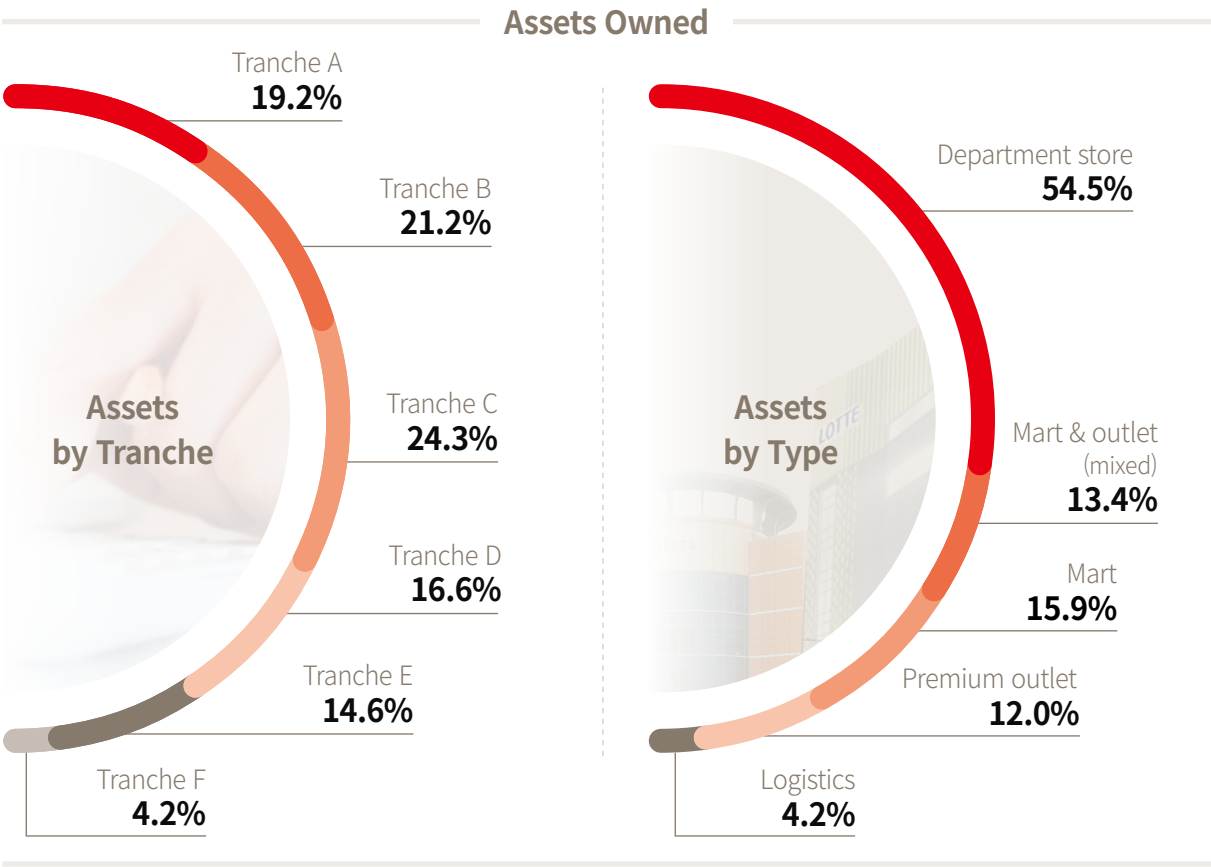
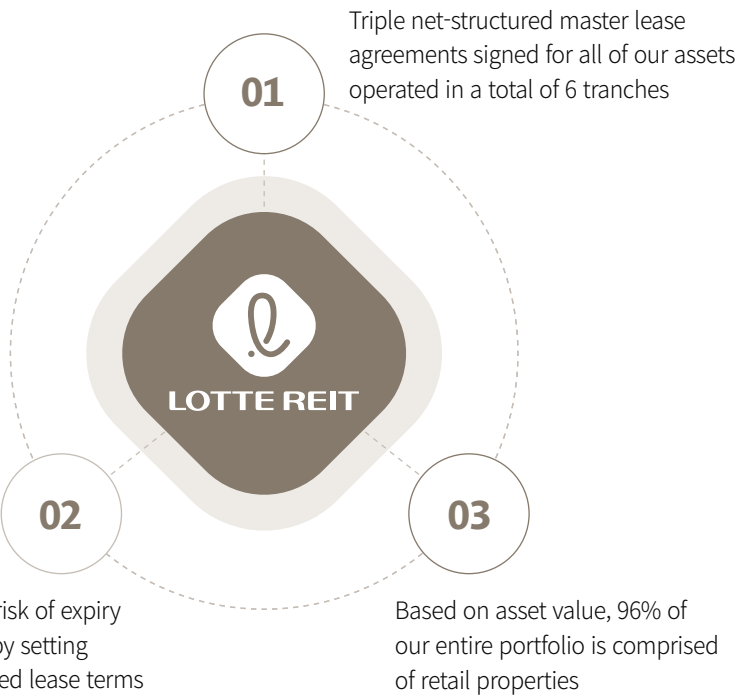
The regional breakdown of our assets shows that 64.9% of our assets are located in the Seoul metropolitan area and 35.1% outside the area. By use, department stores account for 54.5%, marts 15.9%, outlets 12.0%, mixed-used assets (mart + outlet) 13.4% and logistics centers 4.2%. As of the end of 2023, the weighted average lease expiry (WALE) of our assets in their entirety amounted

to 6 years and 1 month: the WALE is separated 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 maintaining a rental income structure with minimum volatility.

Portfolio Details

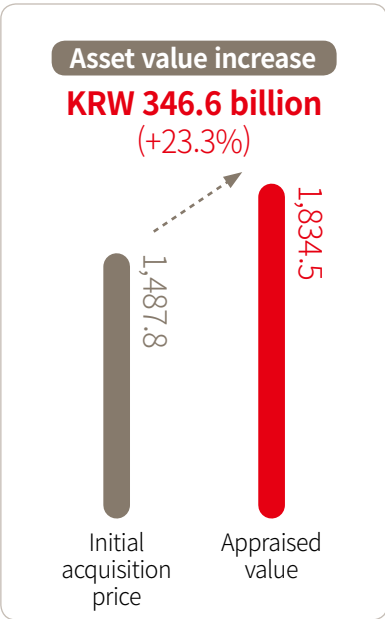
As of the end of 2023, our AUM reached KRW 2.3 trillion. We operate 15 properties – six department stores, five marts, three outlets, and one logistics center – in six different tranches. The total gross floor area amounts to 1,089,441㎡, and their weighted average lease expiry is six years and one month as of the end of 2023.

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.



Property value growth

Assets acquired at the time of IPO increased 23.3% in value

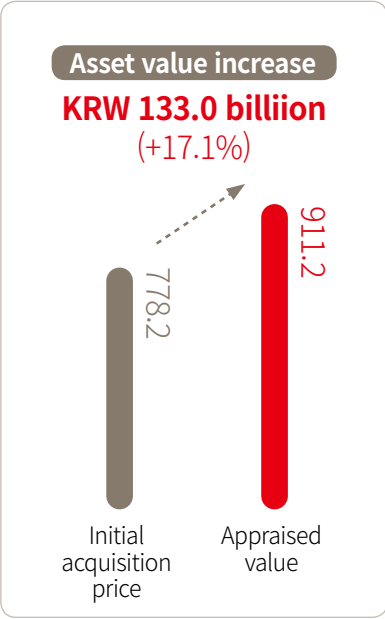


* Asset revaluation is based on collateral appraisal and is not reflected in book value.

(in billion of KRW)

	Initial acquisition price	Appraisal value of collateral	Spread	Growth rate
LOTTE Department Store Gangnam Branch	424.9	562.0	137.1	32.3%
LOTTE Department Store Guri Branch	177.3	216.8	39.5	22.3%
Department Store Gwangju Branch	134.4	155.7	21.3	15.8%
LOTTE Department Store Changwon Branch	246.8	285.2	38.4	15.6%
LOTTE Outlet/Mart Yulha Branch	170.2	202.4	32.2	18.9%
LOTTE Outlet/Mart Cheongju Branch	139.2	164.8	25.6	18.4%
LOTTE Mart Uiwang Branch	137.6	178.4	40.8	29.7%
LOTTE Mart Jangyu Branch	57.5	69.2	11.7	20.3%
Total	1,487.8	1,834.5	346.6	23.3%

Assets acquired at the time of rights issue increased 17.1% in the value

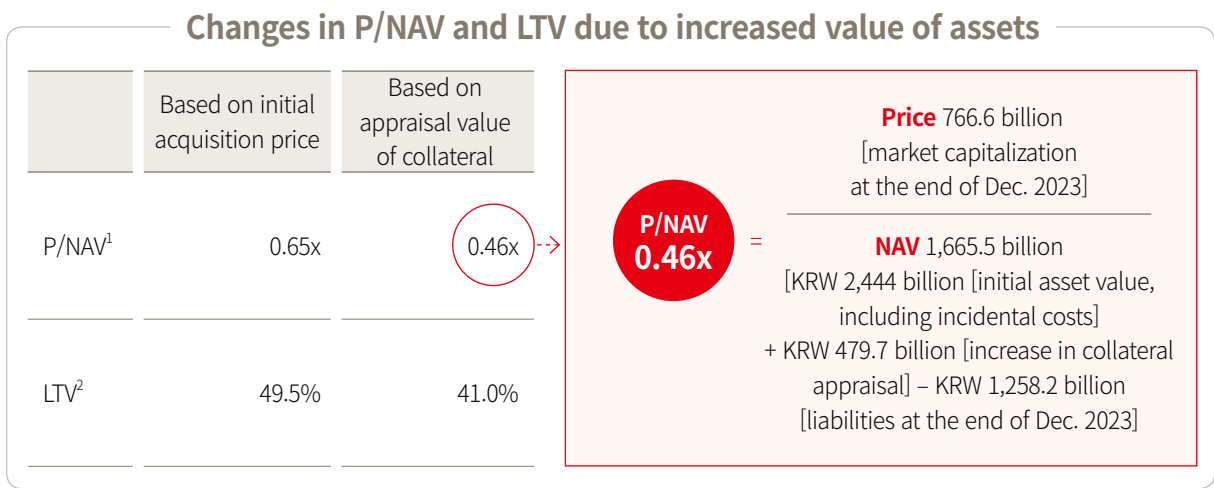


* Asset revaluation is based on collateral appraisal and is not reflected in book value.

(in billion of KRW)

	Initial acquisition price	Appraisal value of collateral	Spread	Growth rate
LOTTE Department Store Ansan Branch	98.6	133.0	34.4	34.9%
LOTTE Department Store Jungdong Branch	171.7	190.0	18.3	10.7%
LOTTE Mart Gyeyang Branch	76.1	105.0	28.9	38.0%
LOTTE Mart Chuncheon Branch	61.0	65.0	4.0	6.6%
LOTTE Premium Outlet Icheon Branch	275.3	320.0	44.7	16.2%
LOTTE Mart Mall Gimpo Logistics Center	95.5	98.2	2.7	2.8%
Total	778.2	911.2	133.0	17.1%

The value of assets acquired through IPO & Rights Issue increased by 21.2% (KRW 479.7 billion)



※ Asset revaluations are based on appraised value of collateral assets (date of appraisal: June 2022 for Gangnam Branch, Sep 2022 for Gwangju / Yulha Branch, Aug 2023 for Changwon / Uiwang / Jangyu Branch, Oct 2023 for Guri / Cheongju Branch, acquired at the time of IPO; March 2023 for assets acquired after rights issue)

- 1) P/NAV: Price/NAV, NAV: Net Asset Value
P/NAV 0.65 = KRW 766.6 billion [market capitalization at the end of Dec. 2023] ÷ (KRW 2,444 billion [initial asset value, including incidental costs] - KRW 1,258.2 billion [liabilities at the end of Dec. 2023]),
P/NAV 0.46 = KRW 766.6 billion [market capitalization at the end of Dec. 2023] ÷ (KRW 2,444 billion [initial asset value, including incidental costs] + KRW 479.7 billion [increase in collateral appraisal] - KRW 1,258.2 billion[liabilities at the end of Dec. 2023])
- 2) LTV 49.5% = Liabilities KRW 1,139 billion ÷ Initial purchase price KRW 2,300.6 billion (Based on the initial purchase price of eight properties acquired at the time of IPO and additional acquisitions)
LTV 41.0% =Liabilities KRW 1,139 billion ÷ Appraisal value of collateral assets KRW 2,780.3 billion (Based on the collateral appraisal value of eight properties acquired at the time of IPO and additional acquisitions)

The value of LOTTE REIT’s main assets - department stores, premium outlets, and marts - is constantly increasing because they are mostly located in excellent locations in Seoul, the metropolitan area, and regional metropolitan cities. (official individual land value increased 4.3% on average over the past five years)

The results of revaluations carried out on collateral assets for refinancing purposes in H2 2022 and 2023 are as follows. The value of eight properties, including LOTTE Department Store Gangnam Branch, acquired at the time of IPO increased by 23.3% (KRW 346.6 billion net increase) compared to the initial acquisition price KRW 1,834.5 billion. The value of properties acquired through rights issue increased by 17.1% (KRW 133 billion net increase) compared to the initial acquisition price

(KRW 911.2 billion). NAV adjusted for these revaluations was KRW 1,665.5 billion, which yields a P/NAV of 0.46 times compared to market cap of KRW 766.6 billion (as of closing price on December 29th, 2023) and a loan-to-value ratio of 41.0%.

P/NAV based on the collateral appraisal value of properties acquired through IPO and rights issue decreased compared to the initial acquisition price due to asset value growth, which has boosted the investment attractiveness of LOTTE REIT. In addition, LOTTE REIT will enjoy favorable financing conditions as the LTV resulting from the revaluation - among the industry’s lowest figures - provides more room to borrow for future refinancing and additional acquisitions.

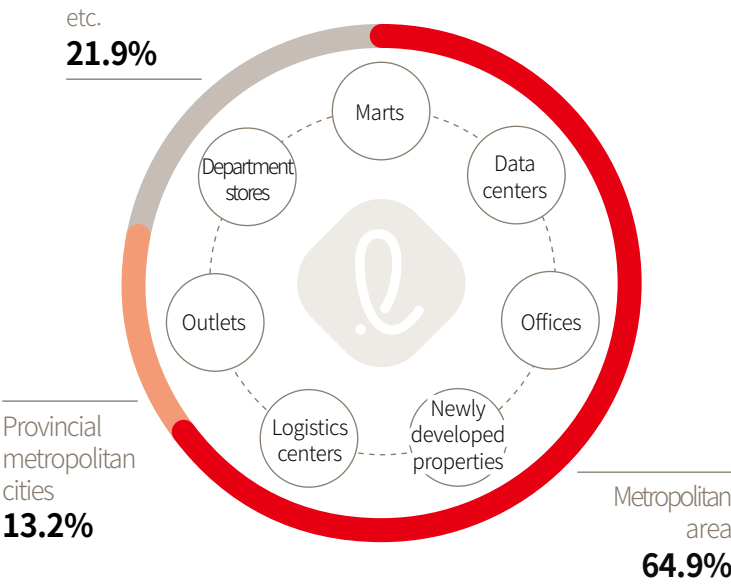
Risk mitigation through portfolio diversification

We will acquire not only retail properties, but also logistics centers, offices, data centers that have immense potential as future growth drivers, and a wide range of other properties while concentrating our asset portfolio in the metropolitan area to diversify risk and enhance company value and shareholder value.

We have delivered strong top line growth as a large scale, blue-chip anchor REIT with a KRW 2.3 trillion investment portfolio as of the end of 2023 - eight properties acquired through IPO (worth approx. KRW 1.5 trillion) and seven properties acquired through rights issue (worth approx. KRW 800 billion) including LOTTE Mart Mall and Gimpo Logistics Center in 2021. Most notably, we demonstrated our potential for quantitative and qualitative growth by diversifying our portfolio when we acquired a logistics center in addition to our retail properties.

Portfolio strategy

*Based on acquisition price (Dec. 31, 2021)

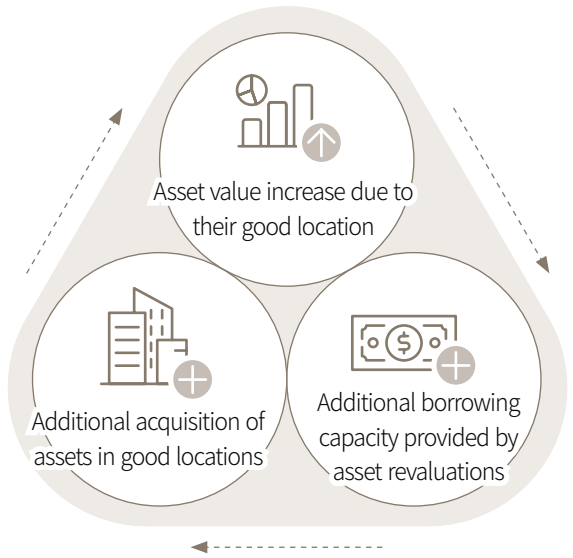


Building long-term growth momentum

As of the end of December 2023, The value of LOTTE Group assets for which we have secured the right of first offer is KRW 8.7 trillion, including LOTTE Shopping assets (KRW 8.2 trillion) and LOTTE Global Logistics assets (KRW 0.5 trillion). LOTTE REIT will not only continue to invest in the deal

pipeline of various real estate owned by LOTTE Group, but will also secure long-term growth potential by actively investing in blue-chip assets outside the group such as logistics centers, offices, and data centers.

Revaluation of real estate value



Building a superior deal pipeline

- ROFO agreements with LOTTE Shopping and LOTTE Global Logistics
- Offices, data centers and other properties owned by LOTTE Group
- LOTTE Shopping's securitized / leased assets
- Assets newly developed by other LOTTE Group subsidiaries and non-LOTTE Group properties

PORTFOLIOS



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	67,517㎡
Acquisition Price	KRW 424.9 billion
Lease Term	11 years
WALE ¹	6 years and 10 months
Size	Main building: B3F / 9F Annex building: B2F / 7F



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	36,879㎡
Acquisition Price	KRW 137.6 billion
Lease Term	9 years
WALE ¹	4 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	38,838㎡
Acquisition Price	KRW 57.5 billion
Lease Term	9 years
WALE ¹	4 years and 10 months
Size	B1F / F5

1) WALE was calculated as of the end of Dec. 2023.



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 ²
Acquisition Price	KRW 177.3 billion
Lease Term	10 years
WALE ¹	5 years and 10 months
Size	B5F / 9F



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 ²
Acquisition Price	KRW 170.2 billion
Lease Term	10 years
WALE ¹	5 years and 10 months
Size	B2F / 6F



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 ²
Acquisition Price	KRW 139.2 billion
Lease Term	10 years
WALE ¹	5 years and 10 months
Size	B2F / 5F



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 ²
Acquisition Price	KRW 246.8 billion
Lease Term	9 years
WALE ¹	4 years and 10 months
Size	Main building: B5F / 6F Young Plaza: B6F / 9F

1) WALE was calculated as of the end of Dec. 2023.



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 ²
Acquisition Price	KRW 134.4 billion
Lease Term	11 years
WALE ¹	6 years and 10 months
Size	B6F / 12F

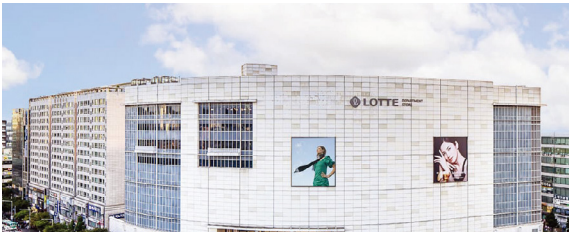


LOTTE Department Store Ansan Branch

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 ²
Acquisition Price	KRW 98.6 billion
Lease Term	7 years
WALE ¹	4 years and 3 months
Size	Main building: B5F / 6F Annex building: B6F / 5F

1) WALE was calculated as of the end of Dec. 2023.



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 ²
Acquisition Price	KRW 171.7 billion
Lease Term	7 years
WALE ¹	4 years and 3 months
Size	B6F / 11F



LOTTE Mart Gyeong Branch

A hypermarket with development upsides and abundant local demand

Location	822, Jangje-ro, Gyeong-gu, Incheon, Republic of Korea
Master Lease Tenant	LOTTE Shopping
GFA	58,119m ²
Acquisition Price	KRW 76.1 billion
Lease Term	7 years
WALE ¹	4 years and 3 months
Size	B2F / 7F



LOTTE Mart Gyeonggi Yangpyeong Branch

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

Location	76, Nambuk-ro, Yangpyeong-eup, Yangpyeong-gun, Gyeonggi-do, Republic of Korea
Master Lease Tenant	LOTTE Shopping
GFA	9,977m ²
Acquisition Price	KRW 34.6 billion
Lease Term	7 years
WALE ¹	4 years and 3 months
Size	B2F / 2F



LOTTE Mart Chuncheon Branch

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

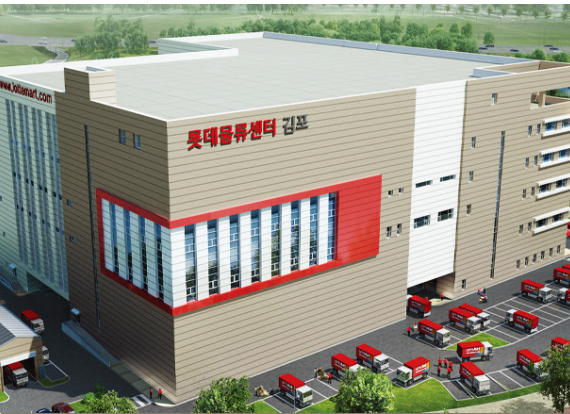
Location	84, Bangsong-gil, Chuncheon-si, Gangwon-do, Republic of Korea
Master Lease Tenant	LOTTE Shopping
GFA	40,570m ²
Acquisition Price	KRW 61.0 billion
Lease Term	11 years
WALE ¹	8 years and 3 months
Size	B1F / 4F



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 ²
Acquisition Price	KRW 275.3 billion
Lease Term	11 years
WALE ¹	8 years and 3 months
Size	Baekjadong: B2F / 3F Cheongjadong: B2F / 2F



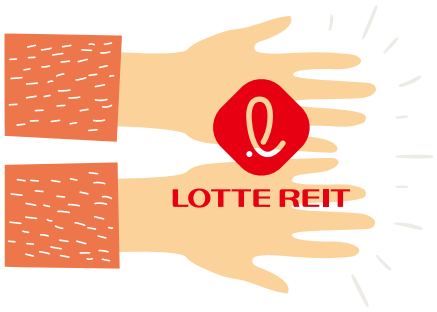
LOTTE Mart Mall Gimpo Logistics Center

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 ²
Acquisition Price	KRW 95.5 billion
Lease Term	15 years
WALE ¹	12 years and 3 months
Size	B1F / 6F

ESG Management

LOTTE Group has adopted ESG (Environmental, Social, Governance) management as a core strategy to achieve sustainable business. LOTTE is accelerating, internalizing, and advancing ESG management, demonstrating a firm commitment to future sustainability, through efforts at various stages and times.



Importance and Goals of ESG Management

LOTTE Group aims to become an ESG leader by 2025. To this end, LOTTE Group is establishing a carbon-neutral roadmap, pursuing growth strategies through ESG management, and implementing an integrated ESG system across the entire Group.

Advancing ESG Management

LOTTE Group aims to respond proactively to the changing environment and perceives ESG regulations as an opportunity as they become tightened and legislated. Therefore, in preparation for the future, LOTTE Group is gearing up for ESG 3.0, through which LOTTE will continuously evolve its ESG management and pursue sustainable social value creation.

Internalizing ESG Management

In 2022 ESG management became part and parcel of LOTTE Group's strategy and culture. In order to embed ESG management in corporate strategy and culture, LOTTE Group strived to strengthen ESG management internally by bolstering members' capability to execute ESG management and providing extensive information about ESG.

ESG Management in full swing

LOTTE Group held the ESG Management Declaration Ceremony in July 2021, pledging to fully commit to ESG management. At this stage, LOTTE Group worked on building the foundation by establishing the groundwork for ESG systems and undergoing organizational restructuring.

LOTTE Group is enhancing the sustainability of its businesses and social responsibility through ESG management, promoting employee engagement and cooperation. ESG management has become one of LOTTE's core values, enabling LOTTE to create a sustainable future.

1) WALE was calculated as of the end of Dec. 2023.



Building the future of investment

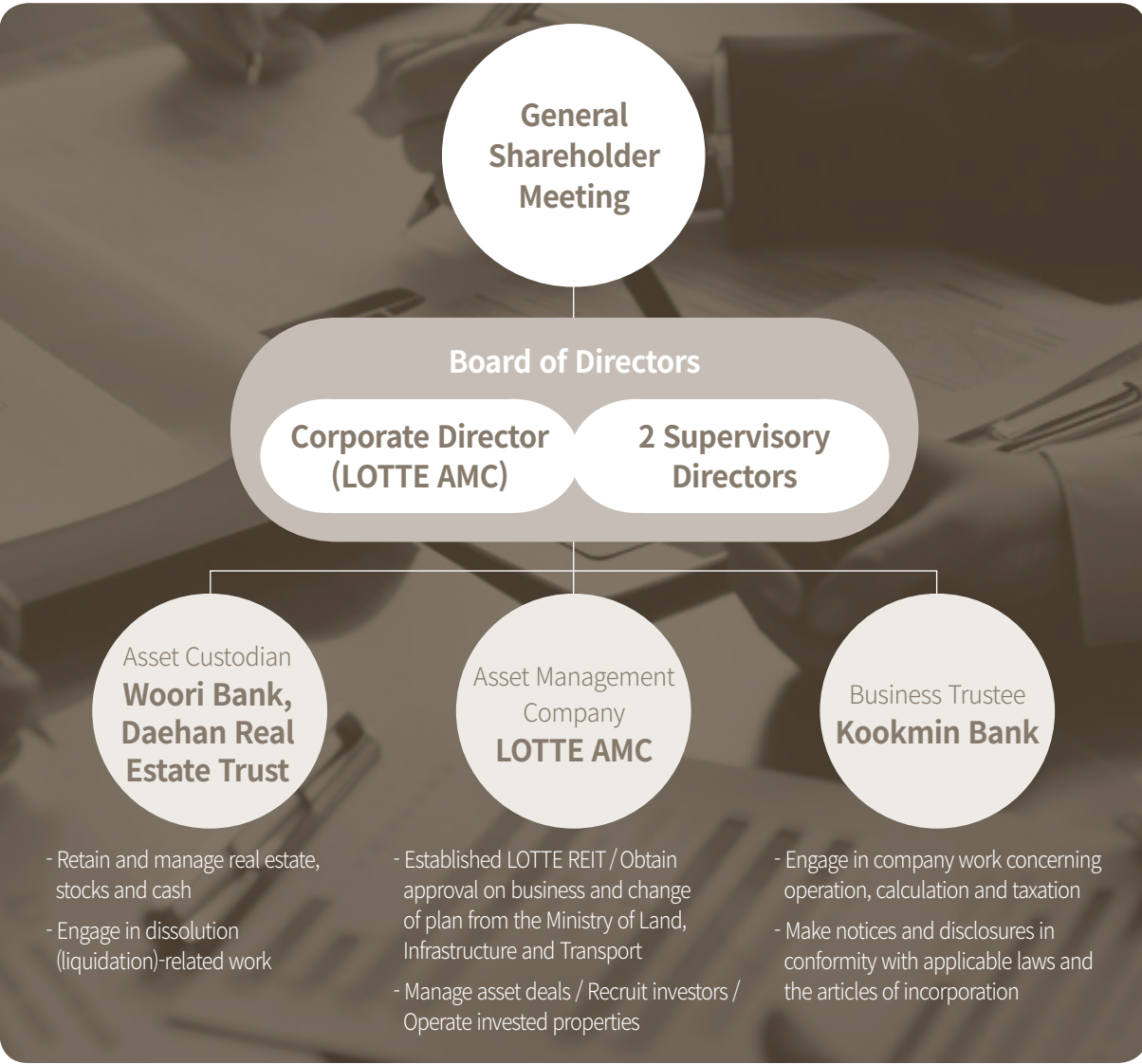
GOVERNANCE

LOTTE REIT is committed to responsible corporate management underpinned by a transparent governance structure. Furthermore, LOTTE REIT has doubled down on risk management to deliver consistent performance.

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 Investment Company 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 & Executives

Board of Directors


Category	Name	Tenure	Current Post
Corporate Director	LOTTE AMC	No specific tenure	LOTTE AMC
Supervisory Director	Kim, Shin Hee	March 2025	DR & AJU Law Firm LLC (Attorney)
Supervisory Director	Kang, Kyung Jin	March 2025	Korea Listed Companies Association (Managing Director, Certified Public Accountant)

Key Executives



Kim, So Yon
CEO

- CEO, LOTTE AMC (2024 - Present)
- CEO, HL REITs AMC (2020 - 2023)
- CEO, RIFA Asset Management (2014 - 2020)
- M.S. in Architectural Engineering, Yonsei University (1993)
- B.S. in Architectural Engineering, Yonsei University (1991)

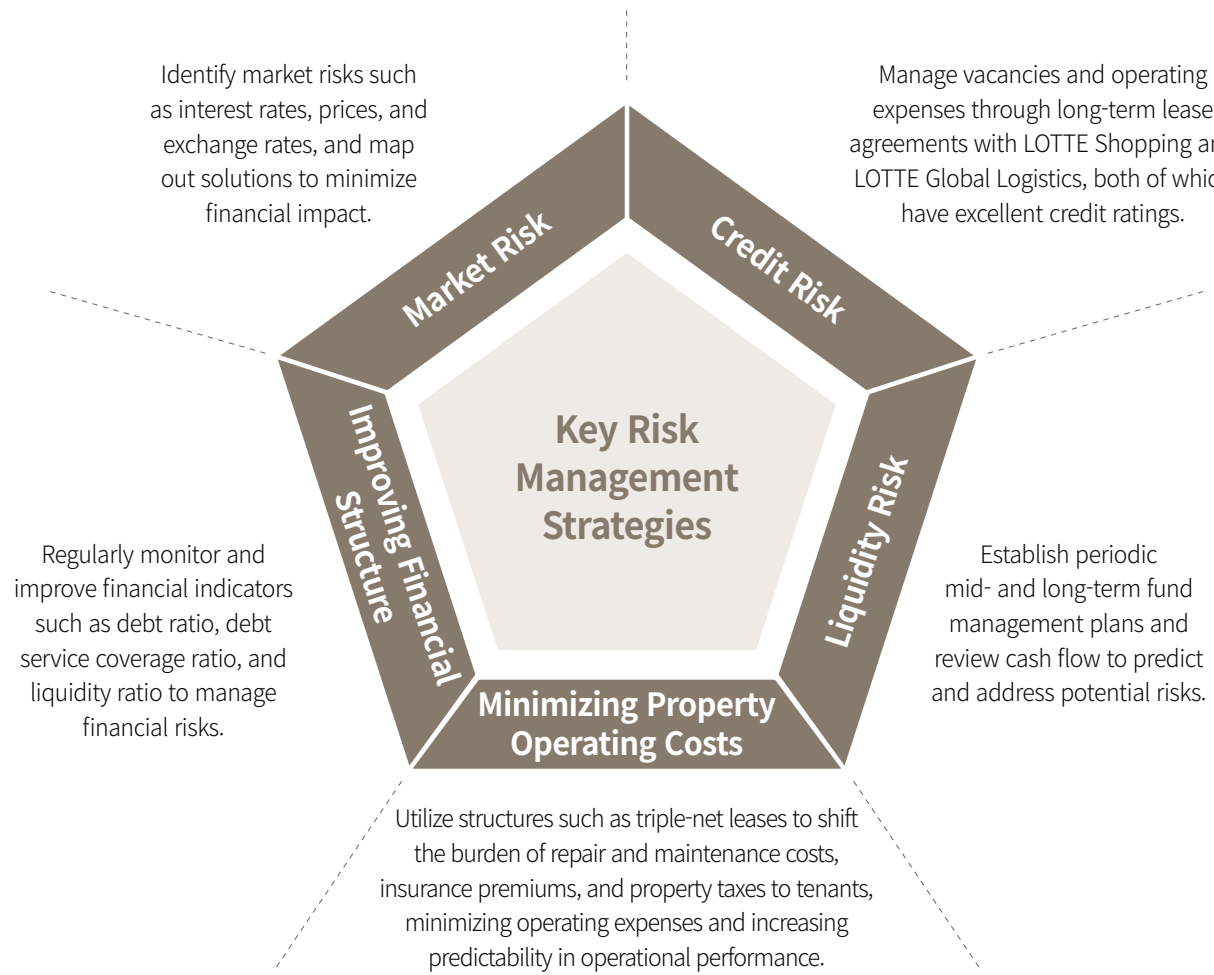


Yoon, Young Ju
Head of REIT Business Division

- Head of REIT Business Division, LOTTE AMC (2022-Present)
- Compliance Officer, LOTTE AMC (2019-2022)
- Head of Overseas Finance Team, LOTTE Shopping (2014-2019)
- Accountant, Samil PwC (1999-2003)
- B.A. in Business Administration, Yonsei University (2000)

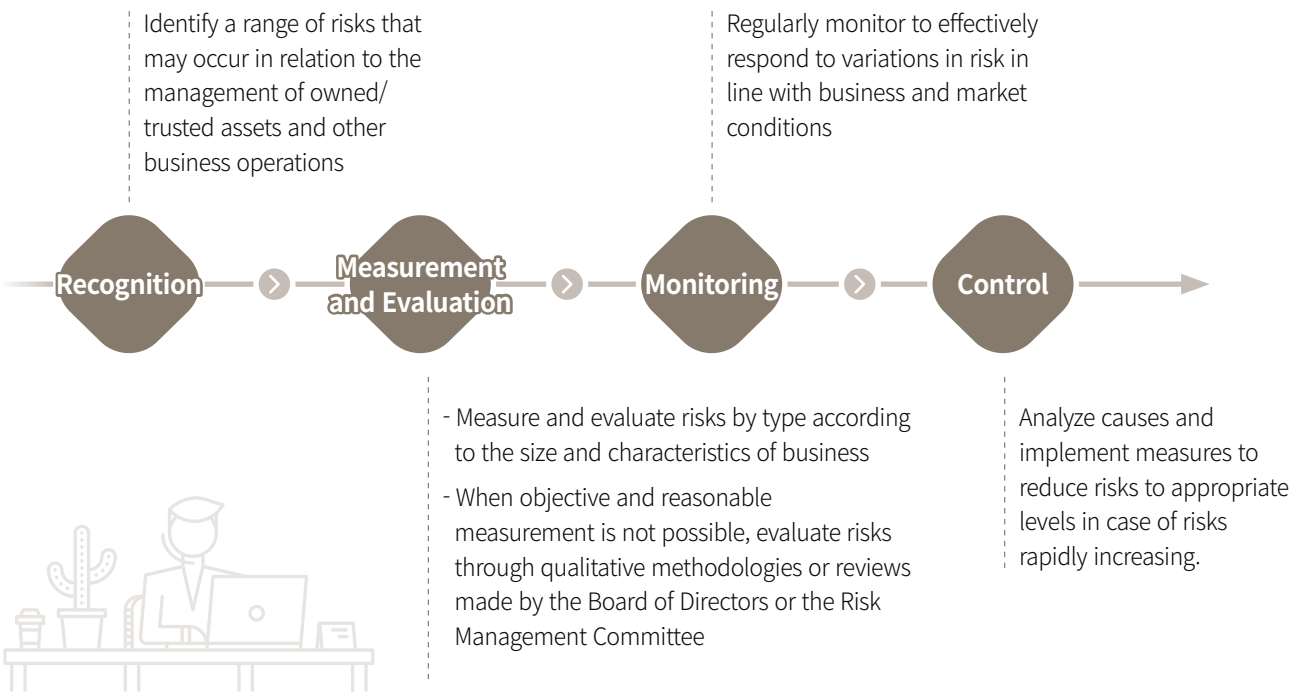
Risk Management

Our risk management objectives and policies primarily focus on market risks, interest rates, prices, exchange rates, and other credit and liquidity risks that impact financial performance. The purpose of these activities is to identify potential risks and to eliminate, avoid or reduce them to an acceptable level required in delivering robust and sustainable business performance.



LOTTE REIT aims to deliver stable financial performance through the aforementioned risk management activities and continue to provide investors with dividend income through real estate investments.

Risk Management Process



Conflict of Interest Prevention System



Building the future of investment

FINANCIALS

As of the end of 2023, LOTTE REIT posted operating revenue of KRW 118.1 billion, 2.3% increase YoY, and recorded operating profit of KRW 70.9 billion, 4.5% increase YoY

Independent Auditor’s Report

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, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year ended December 31, 2023, in accordance with Korean International Financial Reporting Standards (“K-IFRSs”).

Basis for Audit Opinion

We conducted our audit in accordance with the Korean Standards on Auditing (“KSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit 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 audit opinion.

Other Matter

The Company’s financial statements of the prior period as of and for the year ended December 31, 2022, were audited by NEXIA SAMDUK. The type of opinion expressed in the predecessor auditor’s report of February 24, 2023, was unqualified.

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 K-IFRSs, 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 cease operations, or has no realistic alternative, but to do so.

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

Auditor’s Responsibilities for the Audit 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 auditor’s 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, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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.
- 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 auditor’s 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 auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Anjin

March 6, 2024

Deloitte Anjin LLC

This report is effective as of March 6, 2024, the auditor’s report date. Certain subsequent events or circumstances may have occurred between the auditor’s report date and the time the auditor’s report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor’s report.

Statements of Financial Position

As of December 31, 2023 and 2022

LOTTE REIT Co., Ltd.

		(in Korean won)	
	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	3,4,20,23	7,571,009,099	21,476,137,035
Trade and other receivables	3,5,22,23	10,679,800,063	10,443,140,007
Other financial assets	3,6,23	28,864,679,221	24,139,592,252
Other non-financial assets	7,22	4,027,969	566,415,076
Income tax refund receivables		96,861,900	83,087,900
		47,216,378,252	56,708,372,270
Non-current assets			
Investment properties	8,9,21,22	2,266,434,860,446	2,307,153,694,846
		2,266,434,860,446	2,307,153,694,846
Total assets		2,313,651,238,698	2,363,862,067,116
Liabilities and Equity			
Liabilities			
Current liabilities			
Borrowings and debentures	3,8,9,20,21,23	668,846,616,088	1,047,261,676,583
Other financial liabilities	3,10,22,23	10,460,716,079	7,201,217,620
Other non-financial liabilities	11,22	6,124,421,473	5,883,110,027
		685,431,753,640	1,060,346,004,230
Non-current liabilities			
Borrowings and debentures	3,8,9,20,21,23,25	466,671,705,731	89,453,458,175
Other financial liabilities	3,10,21,22,23	92,008,084,715	90,222,027,522
Other non-financial liabilities	11,22	14,078,287,416	16,117,194,393
		572,758,077,862	195,792,680,090
Total liabilities		1,258,189,831,502	1,256,138,684,320
Equity			
Share capital	12,22	121,484,442,000	121,484,442,000
Capital surplus	12,22	1,060,934,641,668	1,060,934,641,668
Retained earnings	13	(126,957,676,472)	(74,695,700,872)
Total equity		1,055,461,407,196	1,107,723,382,796
Total liabilities and equity		2,313,651,238,698	2,363,862,067,116

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

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

LOTTE REIT Co., Ltd.

		(in Korean won)	
	Notes	2023	2022
Revenue	8,15,22,24	118,079,875,588	115,399,822,198
Operating expenses	8,16,22	47,180,909,443	47,543,582,294
Operating profit		70,898,966,145	67,856,239,904
Finance income	18	1,274,160,614	862,237,121
Finance costs	18	63,129,763,234	35,575,098,820
Other income	17	35,323	34,902
Other expenses	17	221	14
Profit before income tax expense		9,043,398,627	33,143,413,093
Income tax expense	19	-	-
Profit for the year		9,043,398,627	33,143,413,093
Other comprehensive income		-	-
Total comprehensive income		9,043,398,627	33,143,413,093
Earnings per share			
Basic/diluted earnings per share	14	37	136

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

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

LOTTE REIT Co., Ltd.

	Share capital	Capital surplus	Retained earnings	(in Korean won) Total equity
Balance at January 1, 2022	121,484,442,000	1,060,932,527,812	(29,339,702,017)	1,153,077,267,795
Transactions with owners of the Company, recognized directly in equity				
Dividends	-	-	(78,499,411,948)	(78,499,411,948)
Reversal of payment related to issuance of shares	-	2,113,856		2,113,856
Total transaction with owners of the Company	-	2,113,856	(78,499,411,948)	(78,497,298,092)
Total comprehensive income				
Profit for the year			33,143,413,093	33,143,413,093
Total comprehensive income			33,143,413,093	33,143,413,093
Balance at December 31, 2022	121,484,442,000	1,060,932,527,812	(74,695,700,872)	1,107,723,382,796
Balance at January 1, 2023	121,484,442,000	1,060,932,527,812	(74,695,700,872)	1,107,723,382,796
Transactions with owners of the Company, recognized directly in equity				
Dividends	-	-	(61,305,374,227)	(61,305,374,227)
Total transaction with owners of the Company	-	-	(61,305,374,227)	(61,305,374,227)
Total comprehensive income				
Profit for the year	-	-	9,043,398,627	9,043,398,627
Total comprehensive income	-	-	9,043,398,627	9,043,398,627
Balance at December 31, 2023	121,484,442,000	1,060,932,527,812	(126,957,676,472)	1,055,461,407,196

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

Statements of Cash Flows

For the year ended December 31, 2023 and 2022

LOTTE REIT Co., Ltd.

	Notes	2023	(in Korean won) 2022
Cash flows from operating activities			
Profit for the year		9,043,398,627	33,143,413,093
Adjustments to income and expenses	20	99,782,626,328	73,455,267,575
Changes in operating assets and liabilities	20	(61,398,078)	164,417,769
Income taxes paid		(13,774,000)	(59,836,590)
Net cash provided by operating activities		108,750,852,877	106,703,261,847
Cash flows from investing activities			
Interest received		1,049,073,645	810,013,193
Proceeds from sale of short-term financial assets		165,000,000,000	140,500,000,000
Purchase of short-term financial assets		(169,500,000,000)	(127,000,000,000)
Net cash provided by (used in) investing activities		(3,450,926,355)	14,310,013,193
Cash flows from financing activities			
Proceeds from short-term borrowings		128,708,667,000	278,954,231,600
Proceeds from long-term borrowings		566,046,811,279	-
Issuance of debentures		348,098,254,328	368,598,066,755
Reversal of payment related to issuance of debentures		7,011,731	2,359,571
Reversal of payment related to issuance of shares		-	2,113,856
Repayment of short-term borrowings		(280,000,000,000)	-
Repayment of current portion of long-term borrowings		(458,000,000,000)	(478,000,000,000)
Repayment of debentures		(311,000,000,000)	(170,000,000,000)
Interest paid		(51,760,424,569)	(27,992,402,111)
Dividends paid		(61,305,374,227)	(78,499,411,948)
Net cash provided by financing activities		(119,205,054,458)	(106,935,042,277)
Net increase (decrease) in cash and cash equivalents		(13,905,127,936)	14,078,232,763
Cash and cash equivalents at the beginning of the year	4	21,476,137,035	7,397,904,272
Cash and cash equivalents at the end of the year	4	7,571,009,099	21,476,137,035

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

Notes to Financial Statements

As of and for the years ended December 31, 2023 and 2022

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 headquarters 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, 2023, are 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
Total	242,968,884	100.0

2. BASIS OF ACCOUNTING AND MATERIAL ACCOUNTING POLICIES

(1) Basis of Preparation

The Company's financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRSs”) established in accordance with the 'Act on External Audit of Corporations, etc.'

Material accounting policies applied to the preparation of financial statements are described below, and material 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 directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going-concern basis of accounting in preparing the financial statements.

(2) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Company has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2023.

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 1104 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

The company does not have any contracts that meet the definition of an insurance contract under K-IFRS 1117.

- K-IFRS 1001 Presentation of Financial Statements and International Financial Reporting Standards (“IFRS”) Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies (Amendments)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The International Accounting Standards Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

- K-IFRS 1001 Presentation of Financial Statements – Disclosure of financial liabilities with clauses to adjust exercise price (Amendments)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them) if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

- K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

- K-IFRS 1012 Income Taxes - International Tax Reform-Pillar Two Model Rules (Amendments)

The amendments clarify that K-IFRS 1012 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in K-IFRS 1012, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The application of the amendments does not have a significant impact on the Company's financial statements.

(3) New and revised K-IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period; specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; explain that rights are in existence if covenants are complied with at the end of the reporting period; and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. If an entity applies this amendments for an earlier period, it is also required to apply the 2023 amendments early.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

- K-IFRS 1001 Presentation of Financial Statements – Non-current Liabilities with Covenants (Amendments)

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments also specify that the right to defer settlement of a liability for at least 12 months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them); the carrying amount of related liabilities; and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

- K-IFRS 1007 Statement of Cash Flows and K-IFRS 1107 Financial Instruments: Disclosures - Supplier Finance Arrangements (Amendments)

The amendments add a disclosure objective to K-IFRS 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose, in aggregate, for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity’s statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

- K-IFRS 1116 Leases - Lease Liability in a Sale and Leaseback (Amendments)

The amendments to K-IFRS 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in K-IFRS 1116. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with K-IFRS 1008 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied K-IFRS 1116.

- K-IFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets (Amendments)

The amendments to K-IFRS 1001 add additional disclosure requirements required by other standards for transactions related to virtual assets, setting out disclosure requirement for each case of 1) holding virtual assets, 2) holding virtual assets on behalf of customer and 3) issuing virtual assets.

When holding a virtual asset, disclosure on the general information about virtual assets, the accounting policy applied and each virtual asset’s acquisition method, cost and the fair value at the end of the reporting period is required. Also, when issuing a virtual asset, the entity’s obligations and status of fulfilment of the obligation related to the issued virtual asset, the timing and amount of the recognized revenue of the sold virtual asset, the number of virtual assets held after issuance and important contract details shall be disclosed.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the its financial statements.

(4) Material 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 asset.

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 of 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 SPPI

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 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, it 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.

- Disclosures 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 (“ECLs”) for all debt instruments, except for items at fair value through profit or loss. ECLs are estimated by discounting the difference between the contractually agreed cash flows and all cash flows expected to be received, discounted at the initial EIR. Expected cash flows include cash flows from the disposal of collateral held or from other credit enhancements that are essential terms of the contract.

ECLs are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs reflects credit loss (12-month ECL) 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 ECL for the remaining life of the exposure (full-period ECL) regardless of when a default event occurs.

For trade receivables and contract assets, the Company may apply the simplified approach to the calculation of ECL. 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 ECL. 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 Company 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 ECL. The Company uses ratings from credit rating agencies to determine whether the credit risk of debt instruments has significantly increased and to measure ECLs.

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 EIR method. Gains or losses on derecognition of liabilities or amortization using the EIR 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 EIR. 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.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 15 to 48 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 preimpairment 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 preimpairment 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 is 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 note below.

Note 8 – 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 the application of the Company accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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, 2023 and 2022, are as follows:

		(in thousands of Korean won)	
		December 31, 2023	December 31, 2022
Financial assets at amortized cost ¹	Cash and cash equivalents	7,571,009	21,476,137
	Trade and other receivables ²	10,679,800	10,443,140
	Other financial assets ³	28,864,679	24,139,592
	Total	47,115,488	56,058,869

- 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.
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, 2023 and 2022, are as follows:

		(in thousands of Korean won)	
		December 31, 2023	December 31, 2022
Financial liabilities at amortized cost ¹	Borrowings and debentures	1,135,518,322	1,136,715,135
	Other financial liabilities ²	102,468,801	97,423,245
	Total	1,237,987,123	1,234,138,380

- 1) Differences between fair value and carrying amount of financial liabilities of amortized cost are immaterial.
2) Other financial liabilities consist of accrued expenses and leasehold deposits received.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2023 and 2022, are as follows:

		(in thousands of Korean won)	
		December 31, 2023	December 31, 2022
Woori Bank, etc.		7,571,009	21,476,137

5. TRADE AND OTHER RECEIVABLES

(1) Trade and other receivables as of December 31, 2023 and 2022, are as follows:

< December 31, 2023 >		(in thousands of Korean won)
		Trade receivables
Carrying amount		10,679,800
Loss allowance		-
Net carrying amount		10,679,800

< December 31, 2022 >		(in thousands of Korean won)
		Trade receivables
Carrying amount		10,443,140
Loss allowance		-
Net carrying amount		10,443,140

(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 years, there are no trade and other receivables that have been overdue, but have not been damaged.

(4) There is no change in the loss allowance of trade and other receivables during the current and previous years.

6. OTHER FINANCIAL ASSETS

Other financial assets as of December 31, 2023 and 2022, are as follows:

		(in thousands of Korean won)	
		December 31, 2023	December 31, 2022
Accrued income		364,679	139,592
Short-term financial instruments		28,500,000	24,000,000
Total		28,864,679	24,139,592

7. OTHER NON-FINANCIAL ASSETS

Other non-financial assets as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	December 31, 2023	December 31, 2022
Other receivables	4,028	2,103
Prepaid expenses	-	564,312
Total	4,028	566,415

8. INVESTMENT PROPERTY

(1) Investment property as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)						
	December 31, 2023			December 31, 2022		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land ¹	1,427,084,774	-	1,427,084,774	1,427,084,774	-	1,427,084,774
Buildings ¹	989,541,961	(150,191,875)	839,350,086	989,541,961	(109,473,040)	880,068,921
Total	2,416,626,735	(150,191,875)	2,266,434,860	2,416,626,735	(109,473,040)	2,307,153,695

1) As of December 31, 2023, 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 21).

(2) Changes in investment property for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)					
	Beginning balance	Acquisitions	Depreciation	Reclassification	Ending balance
Land	1,427,084,774	-	-	-	1,427,084,774
Buildings	880,068,921	-	(40,718,835)	-	839,350,086
Total	2,307,153,695	-	(40,718,835)	-	2,266,434,860

(in thousands of Korean won)					
	Beginning balance	Acquisitions	Depreciation	Reclassification	Ending balance
Land	1,427,084,774	-	-	-	1,427,084,774
Buildings	921,393,950	-	(41,325,030)	-	880,068,921
Total	2,348,478,724	-	(41,325,030)	-	2,307,153,695

(3) Income and expense from investment property

Details of income and expense from investment property for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	December 31, 2023	December 31, 2022
Rental income	118,079,876	115,399,822
Direct operating expenses ¹	45,981,903	46,575,206

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

(4) Fair value of investment property as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)				
	December 31, 2023		December 31, 2022	
	Book value	Fair value	Book value	Fair value
Land and buildings (Daechei-Dong 937, etc., Gangnam-gu, Seoul)	2,266,434,860	2,780,300,000	2,307,153,695	2,634,400,000

(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 is determined by an external independent real estate appraisal firm with appropriate qualifications and experience in relation to real estate appraisal in the area.

The fair value of the real estate used by Gwangju branch and Yulha branch acquired in 2019 is determined by Samchang Appraisal Co., LTD. (Appraisal date of Gwangju Branch and Yulha Branch: September 20, 2022), and it was changed during the prior year.

The fair value of the real estate used by Guri branch, Changwon branch, Cheongju branch, Uiwang branch and Jangyu branch acquired in 2019 is determined by Pacific Appraisal Co., LTD. (Appraisal date of Changwon Branch, Uiwang Branch and Jangyu Branch: August 31, 2023/Appraisal date of Guri Branch and Cheongju Branch: October 20, 2023), and it was changed during the current year.

The fair value of the real estate used by Gangnam branch acquired in 2019 was determined by Samchang Appraisal Co., LTD. (Appraisal date: September 20, 2022), and it was changed during the prior year.

The fair value of the real estate used by the Ansan branch, Jungdong branch, Icheon branch, Chuncheon branch, Gyeongang branch and Gimpo Logistics center acquired in 2021 is determined by Nara Appraisal Co., LTD. (Appraisal

date: March 17, 2023), and it was changed during the current year.
The fair value of the real estate used by Gyeonggi Yangpyeong branch acquired in 2021 is determined by Nara Appraisal Co., LTD. (Appraisal date: December 28, 2022), and it was changed during the prior year.

(6) Provision of operating leases

The Company has entered into operating lease agreements with Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd. for investment properties, and depreciation expenses incurred from assets for operating leases in 2023 and 2022 are ₩40,718,835 thousand and ₩41,325,030 thousand, respectively.

As of December 31, 2023, the rental income expected to be received by the Company under the operating lease agreement for the above investment properties is described in Note 15.

9. BORROWINGS AND DEBENTURES

(1) Borrowings and debentures as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)				
Description	Maturity	Annual interest rate(%)	December 31, 2023	December 31, 2022
Current:				
Short-term borrowings	-	-	-	280,000,000
Current portion of discount on short-term borrowings			-	(832,935)
Short-term borrowings ^{1,2}				
Kookmin Bank, etc.	2024.01.16	CD+2.08%	130,000,000	-
Current portion of discount on short-term borrowings			(56,356)	-
Current portion of long-term borrowings			-	458,000,000
Current portion of discount on long-term borrowings			-	(472,627)
Current portion of long-term borrowings ^{1,2}				
KEB Hana Bank, etc.	2024.09.17	5.33	100,000,000	-
Current portion of discount on long-term borrowings			(113,609)	-
Current portion of long-term debentures (2nd)	-	-	-	31,000,000
Current portion of discount on long-term debentures (2nd)			-	(50,173)
Current portion of long-term debentures (3rd-1)			-	80,000,000
Current portion of discount on long-term debentures (3rd-1)			-	(371,258)
Current portion of long-term debentures (3rd-2) ^{1,2}	2024.07.29	4.67	90,000,000	-
Current portion of discount on long-term debentures (3rd-2)			(203,589)	-
Current portion of long-term debentures (3rd-3) ^{1,2}	2024.07.28	5.09	80,000,000	-

Current portion of discount on long-term debentures (3rd-3)			(135,096)	-
Current portion of long-term debentures (4th) ^{1,2}	2024.07.16	5.69	70,000,000	-
Current portion of discount on long-term debentures (4th)			(171,062)	
Current portion of long-term debentures (5th-1) ^{1,2}	2024.03.17	5.00	75,000,000	-
Current portion of discount on long-term debentures (5th-1)			(99,067)	-
Current portion of long-term debentures (5th-2) ^{1,2}	2024.09.17	5.20	125,000,000	-
Current portion of discount on long-term debentures (5th-2)			(374,605)	-
Short-term debentures			-	200,000,000
Current portion of discount on short-term debentures			-	(11,330)
Total			668,846,616	1,047,261,677
Non-current:				
Long-term borrowings ^{1,2}				-
KEB Hana Bank, etc.	2025.03.17	CD+1.91%	158,000,000	-
Discount on long-term borrowings			(268,435)	-
Long-term borrowings ^{1,2}				
KEB Hana Bank, etc.	2025.10.17	CD+1.30%	311,000,000	
Discount on long-term borrowings			(2,059,859)	
Long-term debentures (3rd-2)	-	-	-	90,000,000
Discount on debentures			-	(546,542)
Total			466,671,706	89,453,458

- 1) The Company's investment properties are provided as collateral for the above borrowings and debentures (refer to Note 21).
According to the 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 debentures is completed.
- 2) In relation to the above borrowings and debentures, 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 and debentures is completed according to the agreement.

(2) Changes in borrowings and debentures for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	2023	2022
Beginning balance	1,136,715,135	1,132,871,166
Additional Borrowing	1,042,832,983	647,573,048
Repayment	(1,049,000,000)	(648,000,000)
Amortization	4,963,192	4,268,561
Others	7,012	2,360
	1,135,518,322	1,136,715,135

10. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	December 31, 2023	December 31, 2022
Current:	10,460,716	7,201,218
Accrued expenses	10,460,716	7,201,218
Non-current:	109,576,032	109,576,032
Leasehold deposits received ¹	(17,567,947)	(19,354,005)
Less: present-value discount	92,008,085	90,222,027

1) The superficies above the leasehold deposits received have been established (refer to Note 21).

11. OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	December 31, 2023	December 31, 2022
Current:		
Unearned rental income	2,657,914	2,582,623
Accrued expense	7,273	3,602
VAT withholdings	3,459,235	3,296,884
	6,124,422	5,883,109
Non-current:		
Unearned rental income	14,078,287	16,117,194
	14,078,287	16,117,194

12. SHARE CAPITAL AND CAPITAL SURPLUS

(1) The share capital of the Company as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won, except for number of shares)		
	December 31, 2023	December 31, 2022
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	242,968,884
Share capital	121,484,442	121,484,442

(2) Capital surplus as of December 31, 2023 and 2022, consists of the following:

(in thousands of Korean won)		
	December 31, 2023	December 31, 2022
Additional paid-in capital	1,060,934,642	1,060,934,642

(3) Changes in share capital and capital surplus for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)					
	Number of shares	Par value	Share capital	Capital surplus	Total
Balance at January 1, 2022	242,968,884	500	121,484,442	1,060,932,528	1,182,416,970
Reversal of payment related to issuance of shares	-	-	-	2,114	2,114
Balance at December 31, 2022	242,968,884	500	121,484,442	1,060,934,642	1,182,419,084
Balance at January 1, 2023	242,968,884	500	121,484,442	1,060,934,642	1,182,419,084
Balance at December 31, 2023	242,968,884	500	121,484,442	1,060,934,642	1,182,419,084

13. RETAINED EARNINGS

(1) Details of retained earnings as of December 31, 2023 and 2022, are as follows:

	(in thousands of Korean won)	
	December 31, 2023	December 31, 2022
Retained earnings	(126,957,676)	(74,695,701)
(2) The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:		
	(in thousands of Korean won)	
	December 31, 2023	December 31, 2022
I. Unappropriated retained earnings carried over from prior year	(109,473,040)	(68,148,011)
Interim dividend ¹	(26,528,035)	(39,691,103)
Profit for the year	9,043,399	33,143,413
	(126,957,676)	(74,695,701)
II. Appropriation of retained earnings	23,234,198	34,777,339
III. Unappropriated retained earnings to be carried forward	(150,191,874)	(109,473,040)

1) The fiscal year of the Company begins on January 1 and ends on June 30, and the next fiscal year begins on July 1 and ends on December 31. Accordingly, the Company paid dividends in September 2023 and September 2022, respectively.

(3) Details of dividend payment (planned) for the years ended December 31, 2023 and 2022, are as follows:

	(in thousands of Korean won)	
	2023	2022
Amount of total dividend	49,762,233,027	74,468,442,229
Number of shares issued (shares)	242,968,884	242,968,884
Dividend per share	205	306
Par value	500	500
Dividend rate	41.00%	61.20%

14. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2023 and 2022, are as follows:

	(in Korean won, except for number of shares)	
	2023	2022
Profit attributable to the ordinary equity holders	9,043,398,627	33,143,413,093
Weighted-average number of ordinary shares outstanding (shares)	242,968,884	242,968,884
Basic earnings per share	37	136

(2) Weighted-average number of ordinary shares outstanding (shares)

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

< 2023 >			(number of shares)
	Number of shares	Day	Accumulated number of shares
Weighted-average number of ordinary shares outstanding (shares) carried over from prior year	242,968,884	365	88,683,642,660
Weighted-average number of ordinary shares outstanding (shares)			242,968,884

< 2022 >			(number of shares)
	Number of shares	Day	Accumulated number of shares
Weighted-average number of ordinary shares outstanding (shares) carried over from prior year	242,968,884	365	88,683,642,660
Weighted-average number of ordinary shares outstanding (shares)			242,968,884

(3) Diluted earnings per share

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

15. REVENUE

- (1) The Company has entered into operating lease contracts with Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd. for the investment properties it owns. Rental income recognized as revenue for the years ended December 31, 2023 and 2022 is ₩118,079,876 thousand and ₩115,399,822 thousand, respectively. On the other hand, the Company's operating income comes from operating leases rentals with Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd.
- (2) The Company operates a single operating segment and does not disclose information by each operating segment. In addition, since operating income is generated only in Korea, analysis data on regional information is not disclosed separately.
- (3) As of December 31, 2023 and 2022, the rental income plan due to the operating lease contracts is as follows:

(in thousands of Korean won)		
	2023	2022
Within 1 year	117,200,407	115,636,277
1-5 years	466,279,343	481,239,970
More than 5 years	162,465,295	268,441,454
Total	745,945,045	865,317,701

16. OPERATING EXPENSES

Details of operating expenses for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	2023	2022
Salaries	96,000	96,000
Depreciation	40,718,835	41,325,030
Asset management fee	4,601,212	4,601,212
Asset custody fee	69,018	85,910
Business trustee fee	207,055	207,054
Asset consignment management fee	385,783	356,000
Commission expenses	698,702	626,722
Others	404,304	245,654
Total	47,180,909	47,543,582

17. OTHER INCOME AND EXPENSE

Details of other incomes and other expense for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	2023	2022
Other income:		
Miscellaneous income	35	35
Other expense:		
Miscellaneous expense	-	-

18. FINANCIAL INCOME AND FINANCIAL EXPENSE

(1) Details of financial income and financial expense for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		
	2023	2022
Finance income:		
Interest income calculated using the effective interest method	1,274,161	862,237
Finance expense:		
Interest expense calculated using the effective interest method	63,129,763	35,575,099

(2) Details of finance income and finance expense by financial instruments category for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)				
	2023		2022	
	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	1,274,161	-	862,237	-
Interest expense	-	63,129,763	-	35,575,099

19. INCOME TAXES

Income tax expense comprises current and deferred taxes. However, since the Company has decided to pay dividends of 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.

20. STATEMENTS OF CASH FLOWS

(1) As of December 31, 2023 and 2022, details of cash and cash equivalents are as follows:

	December 31, 2023	December 31, 2022
Deposits	7,571,009	21,476,137

(2) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2023 and 2022, are as follows:

1) Adjustments :

	2023	2022
Depreciation	40,718,835	41,325,030
Interest expense	63,129,763	35,575,099
Rental income (amortization of discount on leasehold deposit received)	(2,791,811)	(2,582,624)
Interest income	(1,274,161)	(862,237)
Total	99,782,626	73,455,268

2) Changes in operating assets and liabilities :

	2023	2022
Increase in trade receivables	(236,660)	(254,124)
Decrease in other receivables	250	219,011
Decrease in other payables	-	(1,806,230)
Increase in accrued expenses	12,796	70,581
Increase in VAT withholdings	162,216	1,935,180
Total	(61,398)	164,418

(3) Non-cash transactions for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Transfer of long-term unearned revenue to liquid liabilities	2,791,811	2,582,624
Unearned revenue recognition	828,194	-
Transfer of long-term borrowings to liquid liabilities	556,086,639	456,249,740
Transfer of debentures to current liabilities	283,851,235	30,949,827

(4) Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

	Beginning balance	Amortization	Reclassification	Cash inflow from financing activities	Cash outflow from financing activities	Ending balance
Short-term borrowings	279,167,065	2,067,913	-	128,708,667	(280,000,000)	129,943,645
Current portion of long-term borrowings	457,527,373	522,118	99,836,900	-	(458,000,000)	99,886,391
Current portion of long-term debentures	110,578,568	1,274,466	283,851,236	154,312,311	(111,000,000)	439,016,581
Short-term debentures	199,988,670	11,330	-	-	(200,000,000)	-
Borrowings	-	461,793	(99,836,899)	566,046,811	-	466,671,705
Debentures	89,453,458	625,572	(283,871,985)	193,792,955	-	-
Total	1,136,715,134	4,963,192	(20,748)	1,042,860,744	(1,049,000,000)	1,135,518,322

	Beginning balance	Amortization	Reclassification	Cash inflow from financing activities	Cash outflow from financing activities	Ending balance
Short-term borrowings	-	212,833	-	278,954,232	-	279,167,065
Current portion of long-term borrowings	476,401,863	2,875,770	456,249,740	-	(478,000,000)	457,527,373
Current portion of long-term debentures	169,802,670	460,671	30,949,827	79,365,400	(170,000,000)	110,578,568
Short-term debentures	-	49,984	-	199,938,686	-	199,988,670
Borrowings	455,770,625	479,115	(456,249,740)	-	-	-
Debentures	30,896,009	190,185	(30,949,827)	89,317,091	-	89,453,458
Total	1,132,871,167	4,268,558	-	647,575,409	(648,000,000)	1,136,715,134

21. CONTINGENCIES AND COMMITMENTS

(1) Master Lease Agreement

As of December 31, 2023, the Company entered into the Master Lease Agreement with Lotte Shopping Co., Ltd. and Lotte Global Logistics 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	1,925	9 years		
Tranche B	Lotte Department Store - Guri Lotte Outlet - Cheongju Lotte Outlet - Daegu Yulha Lotte Mart - Seochyeongju Lotte Mart - Daegu Yulha	24,929	2,205	10 years	*3	
Tranche C	Lotte Department Store - Gangnam Lotte Department Store - Gwangju	27,700	2,450	11 years		Tenant's burden
Tranche D	Lotte Department Store - Ansan Lotte Department Store - Jungdong Lotte Mart - Gyeyang	15,064	1,353	7 years	*4	
	Lotte Mart - Yangpyeong, Gyeonggi	1,487	130	6 years 3 months	*5	
Tranche E	Lotte Premium Outlet - Icheon Lotte Mart - Chuncheon	14,337	1,260	11 years	*4	
Tranche F	Lotte Mart Mall - Gimpo Logistics Center	4,298	386	15 years	*6	
Total		109,576	9,709			

1) As of December 31, 2023, 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 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 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 are as follows:

	Terms and conditions
General administrative service fee	- 0.5 bp 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
	- 0.9 bp 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 Daehan Real Estate Trust and Woori Bank for the custody and management of assets such as real estate, securities and cash, and the fee rates are as follows:

	Terms and conditions
Asset custody fee	- Real Estate (Daehan Real Estate Trust): As of December 31, 2023, there is no asset custody fee. However, if real estate asset custody method is agreed upon in the real estate collateral trust method in the future, fees will be incurred according to the real estate collateral trust contract.
	- Securities and cash (Woori Bank): 0.3 bp per year of the acquisition price of the managed assets

(5) Insurance contracts of the Company as of December 31, 2023, are as follows:

(in thousands of Korean won)		
Insurance type	Insured amount	Insurance Company
Package insurance		
- Property all risks cover ¹	2,421,947,268	Lotte Insurance Co., Ltd.
- Machinery breakdown cover		
- Business interruption cover	258,332,553	
- 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 and total limit)	
- Legal liability for fire damage to property (specific building) cover	Lotte Shopping Co., Ltd. 1,000,000 (per accident)	

1) The right to claim insurance money in the above insurance contract is provided as collateral for borrowings (the amount of collateral is ₩838,800,000 thousand).

In addition, as of December 31, 2023, the Company subscribes to gas accident liability insurance, etc., other than the above.

(6) Collateral provision

As of December 31, 2023, 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	624,000,000	Daehan Real Estate Trust	Debentures	Right of collateral security
	84,000,000	Korea Development Bank	Borrowings	Preferred right to benefit
	216,000,000	Mizuho Bank	Borrowings	Preferred right to benefit
	180,000,000	Kookmin Bank	Borrowings	Preferred right to benefit
	346,800,000	KEB Hana Bank	Borrowings	Preferred right to benefit
	12,000,000	Suhyup Bank	Borrowings	Preferred right to benefit
	105,278,532	Lotte Shopping Co., Ltd.		Right of lease
	136,862,092		Leasehold deposit	Right of collateral security and Preferred right to benefit
	4,297,500	Lotte Global Logistics Co., Ltd.		Right of lease
	5,586,750		Leasehold deposit	Preferred right to benefit

(7) Brand license agreement, etc.

As of December 31, 2023, the Company has entered into a brand license agreement and a disclosure support system using contract with Lotte Corporation., and for this, 0.2% of the amount obtained by deducting advertising costs from revenue is paid.

(8) As of December 31, 2023, 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, 2023, there are no pending cases in litigation for the Company.

22. RELATED PARTY TRANSACTIONS

(1) As of December 31, 2023, 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 Property & Development
	Lotte Global Logistics Co., Ltd.
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 years ended December 31, 2023 and 2022, are as follows:

< 2023 > (in thousands of Korean won)		
Related parties	Operating revenue ¹	Operating expenses
Parent company:		
Lotte Shopping Co., Ltd.	110,705,580	-
Lotte Corporation	-	268,725
Others:		
Lotte AMC Co., Ltd.	-	4,601,212
Lotte Property & Development	-	352,431
Lotte Global Logistics Co., Ltd.	4,582,485	-
Total	115,288,065	5,222,368

1) Operating revenue does not include the amount of ₩2,582,624 thousand, which is recognised as rental income from unearned revenue.

< 2022 >

(in thousands of Korean won)

Related parties		Operating revenue ¹	Operating expenses
Parent company:	Lotte Shopping Co., Ltd.	108,434,789	-
	Lotte Corporation	-	262,259
Others:	Lotte AMC Co., Ltd.	-	4,601,212
	Lotte Property & Development	-	322,628
	Lotte Global Logistics Co., Ltd.	4,382,411	-
Total		112,817,200	5,186,099

1) Operating revenue does not include the amount of₩2,582,624 thousand, which is recognized as rental income from unearned revenue.

(3) Account balances with related companies as of December 31, 2023 and 2022, are summarized as follows:

< December 31, 2023 >

(in thousands of Korean won)

Related parties		Receivables		Payables	
		Trade receivables	Other receivables	Leasehold deposits ¹	Non-trade payables
Parent company:	Lotte Shopping Co., Ltd.	10,255,421	4,028	105,278,532	-
	Lotte Corporation	-	-	-	2,972
Others:	Lotte AMC Co., Ltd.	-	-	-	2,319,515
	Lotte Property & Development	-	-	-	87,761
	Lotte Global Logistics Co., Ltd.	424,379	-	4,297,500	-
Total		10,679,800	4,028	109,576,032	2,410,248

1) Leasehold deposits are the nominal value that does not reflect present-value discount of₩17,567,947 thousand.

< December 31, 2022 >

(in thousands of Korean won)

Related parties		Receivables		Payables	
		Trade receivables	Other receivables	Leasehold deposits ¹	Non-trade payables
Parent company:	Lotte Shopping Co., Ltd.	10,039,354	2,103	105,278,532	3,602
	Lotte Corporation	-	-	-	2,624
Others:	Lotte AMC Co., Ltd.	-	-	-	2,319,515
	Lotte Property & Development	-	-	-	79,750
	Lotte Global Logistics Co., Ltd.	403,786	-	4,297,500	-
Total		10,443,140	2,103	109,576,032	2,405,491

1) Leasehold deposits are the nominal value that does not reflect present-value discount of₩19,354,005 thousand.

(4) Fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Related parties	2023		2022	
	Capital increase	Cash dividend	Capital increase	Cash dividend
Parent company:				
Lotte Shopping Co., Ltd.	-	30,652,669	-	39,249,688

(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 years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023	2022
Short-term employee benefits	96,000	96,000

(7) As of December 31, 2023, the Company provides investment properties as collateral for leasehold deposits to Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd., which are related parties (refer to Note 21). Meanwhile, as of December 31, 2023, there are no collateral or payment guarantees provided by the relevant parties.

23. 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 management believes 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, 2023 and 2022, are as follows:

(in thousands of Korean won)

	December 31, 2023	December 31, 2022
Cash equivalent	7,571,009	21,476,137
Trade receivables ¹	10,679,800	10,443,140
Accrued income ¹	364,679	139,592
Short-term financial instruments ¹	28,500,000	24,000,000
Total	47,115,488	56,058,869

1) Trade receivable, accrued income and short-term financial instruments 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, 2023 and 2022, are as follows:

< December 31, 2023 >

(in thousands of Korean won)

	3 months or less	3 months–1 year	More than 1 year
Accrued expenses	2,604,720	-	-
Leasehold deposits received ¹	-	-	109,576,032
Debentures ²	80,624,750	374,385,650	-
Long-term borrowing ²	139,494,449	121,431,204	487,190,500
Total	222,723,919	495,816,854	596,766,532

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.

< December 31, 2022 >

(in thousands of Korean won)

	3 months or less	3 months–1 year	More than 1 year
Accrued expenses	2,593,554	-	-
Leasehold deposits received ¹	-	-	109,576,032
Debentures ²	202,190,575	116,655,525	93,148,875
Long-term borrowing ²	463,624,438	290,248,000	-
Total	668,408,567	406,903,525	202,724,907

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.

(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, 2023 and 2022, are as follows:

(in thousands of Korean won)

	December 31, 2023	December 31, 2022
Liabilities (a)	1,258,189,832	1,256,138,684
Equity (b)	1,055,461,407	1,107,723,383
Financial instruments (c)	7,571,009	21,476,137
Borrowings and debentures (d)	1,135,518,322	1,136,715,135
Liabilities to equity ratio (a/b)	119%	113%
Net borrowings to equity ratio ((d-c)/b)	107%	101%

24. 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 operating income is rental income, and it came from its parent companies, Lotte Shopping Co., Ltd. and Lotte Global Logistics Co., Ltd. (refer to Note 22).

25. EVENTS AFTER THE REPORTING PERIOD

The Company borrowed ₩130 billion by providing investment properties as collateral on January 16, 2024, in order to refinance the existing collateralized borrowings of ₩130 billion.

Corporate Information



1, Sogong-dong, Jung-gu, Seoul, Republic of Korea
Tel. +82-2-771-2500
www.lotteshopping.com



10, Tongil-ro (Yonsei Severance Building), Jung-gu, Seoul, Republic of Korea
Tel. +82-2-2170-3355
www.lotteglogis.com



F30, LOTTE World Tower, 300, Olympic-ro, Songpa-gu, Seoul, Republic of Korea
Tel. +82-2-3213-8166
www.lottereit.co.kr



F30, LOTTE World Tower, 300, Olympic-ro, Songpa-gu, Seoul, Republic of Korea
Tel. +82-2-3213-8166
www.lotteamc.com



F30, LOTTE World Tower, 300, Olympic-ro,
Songpa-gu, Seoul, Republic of Korea
Tel. +82-2-3213-8166
www.lottereit.co.kr