LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

September 30, 2016 and 2015

(Unaudited)

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Lotte Shopping Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Lotte Shopping Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of September 30, 2016, the condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2016 and 2015, the condensed consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2016 and 2015 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034, 'Interim Financial Reporting'.

Other matters

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

The statement of financial position of the Group as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 9, 2016, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2015 presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.
Seoul, Korea
November 14, 2016

This report is effective as of November 14, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position

As of September 30, 2016 and December 31, 2015

(Unaudited)

		Korean won (millions)	
	Notes	**September 30, 2016**	**December 31, 2015**
Assets			
Cash and cash equivalents	6,34,39	₩ 2,021,211	1,751,268
Trade and other receivables	4,6,38,39	919,794	918,851
Other financial assets	5,6,21,39	9,503,485	9,672,512
Inventories	7	3,414,195	3,265,997
Income tax refund receivable		5,229	2,828
Other non-financial assets	8	347,946	385,396
Non-current assets held for sale	9	2,361	447
Total current assets		16,214,221	15,997,299
Investments in associates and joint ventures	10,11	1,271,983	1,274,851
Other financial assets	5,6,21,39	2,094,193	2,089,193
Property, plant and equipment, net	12,38	15,849,835	15,759,107
Investment property, net	13	673,571	520,982
Goodwill	14	2,715,710	2,715,569
Other intangible assets, net	14	823,366	862,820
Other non-financial assets	8	1,286,633	1,413,805
Deferred tax assets		62,623	59,740
Total non-current assets		24,777,914	24,696,067
Total assets		₩ 40,992,135	40,693,366

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position, Continued

As of September 30, 2016 and December 31, 2015

(Unaudited)

			Korean won (millions)	
	Notes		**September 30, 2016**	**December 31, 2015**
Liabilities				
Borrowings and debentures, net of issuance costs	6,16,36,38,39	₩	4,767,668	4,267,139
Trade and other payables	6,15,38,39		5,390,553	5,465,907
Other financial liabilities	6,21,39		643,276	533,789
Income tax payables			50,850	134,348
Unearned revenues	17		217,923	217,574
Provisions	18		70,314	60,359
Other non-financial liabilities	19		1,517,810	1,239,537
Total current liabilities			12,658,394	11,918,653
Borrowings and debentures, net of issuance costs	6,16,36,38,39		9,082,852	9,816,438
Other financial liabilities	6,21,39		384,534	279,552
Employee benefit liabilities	20		179,174	81,291
Deferred tax liabilities			1,377,738	1,365,668
Unearned revenues	17		9,717	8,086
Provisions	18		39,241	32,458
Other non-financial liabilities	19		111,187	103,378
Total non-current liabilities			11,184,443	11,686,871
Total liabilities			23,842,837	23,605,524
Equity				
Common stock of ₩5,000 par value Authorized - 60,000,000 shares Issued and outstanding – 31,490,892 shares	1,22		157,454	157,454
Capital surplus	22		3,910,752	3,910,752
Hybrid securities	23		269,118	269,118
Capital adjustments	24		(116,344)	(79,039)
Retained earnings	25		11,986,305	11,893,663
Accumulated other comprehensive income	26		47,759	95,502
Stockholders' equity attributable to owners of the Company			16,255,044	16,247,450
Non-controlling interests			894,254	840,392
Total equity			17,149,298	17,087,842
Total liabilities and equity		₩	40,992,135	40,693,366

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2016 and 2015

(Unaudited)

		Korean won (millions, except for earnings per share)			
		2016		**2015**	
	Notes	**Three-month period**	**Nine-month period**	**Three-month period**	**Nine-month period**
Sales	28,35,36,38	₩ 7,575,065	21,984,331	7,483,957	21,647,306
Cost of sales	7,28,31,38	(5,244,938)	(15,152,851)	(5,244,301)	(14,979,609)
Gross profit		2,330,127	6,831,480	2,239,656	6,667,697
Selling, general and administrative expenses	29,31,38	(2,154,567)	(6,276,759)	(2,044,321)	(6,002,963)
Operating profit		175,560	554,721	195,335	664,734
Other income	30,38	13,155	142,803	23,255	51,078
Other expenses	30,38	(24,892)	(171,120)	(43,971)	(119,623)
Finance income	32	125,981	225,591	146,771	247,152
Finance costs	32	(165,694)	(354,029)	(221,372)	(398,427)
Equity method income on investments in associates	10,11	14,008	19,762	(14,961)	6,450
Profit before income tax		138,118	417,728	85,057	451,364
Income tax expense	33	(59,911)	(191,182)	(59,323)	(214,527)
Profit for the period		78,207	226,546	25,734	236,837
Other comprehensive income (loss):	26				
Items that will never be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities	20	(1,379)	(8,191)	(6,588)	(5,742)
Net change in equity of equity method investments		(1,030)	(3,125)	(44)	(418)
Income tax on items that will never be reclassified to profit or loss		747	2,434	1,178	1,433
Total items that will never be reclassified to profit or loss		(1,662)	(8,882)	(5,454)	(4,727)
Items that are or may be reclassified to profit or loss:					
Net change in unrealized fair value of available-for-sale financial assets		(9,017)	(21,122)	(54,728)	(50,700)
Exchange rate differences on translating foreign operations		(8,843)	(4,739)	30,737	36,026
Effective portion of unrealized changes in fair values of cash flow hedges	21	21,287	(8,008)	(7,495)	(27,148)
Net change in equity of equity method investments		(14,424)	(41,980)	55,190	38,903
Income tax on items that are or may be reclassified to profit or loss		(409)	15,853	7,793	16,252
Total items that are or may be reclassified subsequently to profit or loss		(11,406)	(59,996)	31,497	13,333
Other comprehensive income (loss) for the period, net of tax		(13,068)	(68,878)	26,043	8,606
Total comprehensive income for the period		₩ 65,139	157,668	51,777	245,443

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income, Continued

For the three and nine-month periods ended September 30, 2016 and 2015

(Unaudited)

		Korean won (millions, except for earnings per share)			
		2016		**2015**	
	Notes	**Three-month period**	**Nine-month period**	**Three-month period**	**Nine-month period**
Profit attributable to:					
- Owners of the Company		₩ 47,778	170,556	1,769	172,527
- Non-controlling interests		30,429	55,990	23,965	64,310
		78,207	226,546	25,734	236,837
Total comprehensive income attributable to:					
- Owners of the Company		42,442	113,550	38,163	196,727
- Non-controlling interests		22,697	44,118	13,614	48,716
		65,139	157,668	51,777	245,443
Earnings per share	27				
- Basic earnings per share (in won)		1,509	5,448	(47)	5,516
- Diluted earnings per share (in won)		₩ 1,498	5,412	(161)	5,288

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

	Korean won (millions)								
	Capital stock	**Capital surplus**	**Hybrid securities**	**Capital adjustments**	**Retained earnings**	**Accumulated other comprehensive income**	**Stockholders' equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2015	₩ 157,454	3,910,752	269,118	(78,452)	12,360,095	106,836	16,725,803	818,074	17,543,877
Total comprehensive income (loss) for the period:									
Profit for the period	-	-	-	-	172,527	-	172,527	64,310	236,837
Other comprehensive income (loss):									
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	-	-	(15,270)	(15,270)	(18,324)	(33,594)
Exchange differences on translating foreign operations	-	-	-	-	-	33,114	33,114	2,796	35,910
Effective portion of unrealized changes in fair values of cash flow hedges	-	-	-	-	-	(17,821)	(17,821)	(404)	(18,225)
Remeasurements of net defined benefit liabilities	-	-	-	-	(4,818)	-	(4,818)	338	(4,480)
Change in equity of equity method investments	-	-	-	-	(247)	29,242	28,995	-	28,995
Subtotal	-	-	-	-	(5,065)	29,265	24,200	(15,594)	8,606
Total comprehensive income (loss) for the period	-	-	-	-	167,462	29,265	196,727	48,716	245,443
Transactions with owners of the Company, recognized directly in equity:									
Dividends to owners of the Company	-	-	-	-	(59,105)	-	(59,105)	(14,809)	(73,914)
Interests of hybrid securities	-	-	-	-	(9,511)	-	(9,511)	-	(9,511)
Changes in ownership interests in subsidiaries	-	-	-	(339)	-	-	(339)	3,203	2,864
Changes in subsidiaries	-	-	-	-	-	-	-	15,100	15,100
Other	-	-	-	(58)	-	-	(58)	(4)	(62)
Subtotal	-	-	-	(397)	(68,616)	-	(69,013)	3,490	(65,523)
Balance at September 30, 2015	₩ 157,454	3,910,752	269,118	(78,849)	12,458,941	136,101	16,853,517	870,280	17,723,797

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity, Continued

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

	Korean won (millions)								
	Capital stock	**Capital surplus**	**Hybrid securities**	**Capital adjustments**	**Retained earnings**	**Accumulated other comprehensive income**	**Stockholders' equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2016	₩ 157,454	3,910,752	269,118	(79,039)	11,893,663	95,502	16,247,450	840,392	17,087,842
Total comprehensive income (loss) for the period:									
Profit for the period	-	-	-	-	170,556	-	170,556	55,990	226,546
Other comprehensive income (loss):									
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	-	-	(11,310)	(11,310)	(3,594)	(14,904)
Exchange differences on translating foreign operations	-	-	-	-	-	4,267	4,267	(8,686)	(4,419)
Effective portion of unrealized changes in fair values of cash flow hedges	-	-	-	-	-	(7,904)	(7,904)	71	(7,833)
Remeasurements of net defined benefit liabilities	-	-	-	-	(6,615)	-	(6,615)	381	(6,234)
Change in equity of equity method investments	-	-	-	-	(2,648)	(32,796)	(35,444)	(44)	(35,488)
Subtotal	-	-	-	-	(9,263)	(47,743)	(57,006)	(11,872)	(68,878)
Total comprehensive income (loss) for the period	-	-	-	-	161,293	(47,743)	113,550	44,118	157,668
Transactions with owners of the Company, recognized directly in equity:									
Dividends to owners of the Company	-	-	-	-	(59,105)	-	(59,105)	(18,449)	(77,554)
Interests of hybrid securities	-	-	-	-	(9,546)	-	(9,546)	-	(9,546)
Changes in ownership interests in subsidiaries	-	-	-	(230)	-	-	(230)	2,432	2,202
Changes in subsidiaries	-	-	-	(54)	-	-	(54)	177	123
Other	-	-	-	(37,021)	-	-	(37,021)	25,584	(11,437)
Subtotal	-	-	-	(37,305)	(68,651)	-	(105,956)	9,744	(96,212)
Balance at September 30, 2016	₩ 157,454	3,910,752	269,118	(116,344)	11,986,305	47,759	16,255,044	894,254	17,149,298

See accompanying notes to the condensed consolidated interim financial statements.

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

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

	Korean won (millions)	
	2016	**2015**
Cash flows from operating activities		
Profit for the period	₩ 226,546	236,837
Income tax expense	191,182	214,527
Post-employment benefits	90,454	84,263
Long-term employee benefits	6,651	3,848
Depreciation	622,226	629,126
Amortization	105,019	110,676
Loss on foreign currency translation	30,434	168,264
Loss on foreign currency transactions	845	12,205
Loss on disposal of property, plant and equipment	5,454	14,457
Impairment loss on property, plant and equipment	3	-
Loss on disposal of intangible assets	4	2
Impairment loss on intangible assets	29,866	136
Loss on valuation of financial liabilities at fair value through profit or loss	-	10,585
Loss on valuation of derivative instruments	105,965	12,210
Loss on transactions of derivative instruments	19,996	239
Loss on redemption of debentures	20,060	-
Equity method loss of investments in subsidiaries, associates and joint ventures	27,827	48,399
Rental expenses (amortization of discount on deposit, etc.)	73,641	63,297
Miscellaneous losses	32,543	-
Other expenses	959	1,267
Cost of card business	403,950	385,410
Interest expense	177,011	190,076
Gain on foreign currency translation	(122,897)	(11,900)
Gain on foreign currency transactions	(12,918)	(86)
Gain on disposal of property, plant and equipment	(2,502)	(1,922)
Gain on disposal of intangible assets	(56)	-
Gain on disposal of investment property	-	(699)
Gain on valuation of derivative instruments	(15,764)	(146,184)
Equity method gain of investments in subsidiaries, associates and joint ventures	(47,589)	(54,849)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(5,556)	(12,592)
Bad debt expenses (Reversal of allowance for bad depts)	(27,560)	1,400
Other income	(1,696)	(2,875)
Income of card business	(630,186)	(623,543)
Interest income	(62,056)	(67,738)
Dividend income	(6,996)	(8,323)
Trade receivables	80,520	(333,972)
Other receivables	(125,812)	(92,693)
Other financial assets	(155,030)	(174,817)

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

	Korean won (millions)	
	2016	**2015**
Cash flows from operating activities, continued		
Inventories	(184,867)	(139,015)
Other non-financial assets	(27,278)	(43,559)
Trade payables	856	(8,992)
Other payables	(80,003)	(11,183)
Other financial liabilities	99,311	6,115
Unearned revenues	(10,760)	(17,884)
Provisions	(996)	19,240
Other non-financial liabilities	314,228	203,753
Payment of post-employment benefits	(41,582)	(42,188)
Plan assets	31,300	30,356
Income tax paid	(219,615)	(299,483)
Interest received	523,501	520,292
Interest paid	(128,747)	(118,122)
Dividends received	45	83
Net cash provided by operating activities	₩ 1,309,931	754,444

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

		Korean won (millions)	
		2016	**2015**
Cash flows from investing activities			
Proceeds from sale of financial assets	₩	1,445,400	986,652
Collection of loans		10,923	11,442
Proceeds from sale of available-for-sale financial assets		1,490	39,110
Proceeds from sale of investments in associates and joint ventures		2,320	636
Proceeds from disposal of property, plant and equipment		33,670	83,081
Proceeds from disposal of investment property		-	3,400
Proceeds from disposal of intangible assets		338	601
Decrease of other assets		-	6
Proceeds from capital distribution from associates		3,088	5,714
Purchase of financial assets		(1,258,179)	(1,217,589)
Increase of loans		(7,363)	(3,601)
Purchase of available-for-sale financial assets		(56,943)	(144,215)
Purchase of investments in associates and joint ventures		(45,968)	(93,371)
Acquisition of property, plant and equipment		(909,968)	(817,406)
Acquisition of investment property		(1,253)	(7,720)
Acquisition of intangible assets		(77,639)	(75,072)
Acquisition of other investments		(520)	(2,934)
Business combination, net of cash acquired		(196)	1,431
Cash outflows from disposal of subsidiaries, net of proceeds received		-	(37)
Interest received		29,342	35,701
Dividends received		21,819	24,455
Net cash used in investing activities	₩	(809,639)	(1,169,716)

See accompanying notes to the condensed consolidated interim financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2016 and 2015

(Unaudited)

		Korean won (millions)	
		2016	**2015**
Cash flows from financing activities			
Proceeds from borrowings	₩	2,707,639	1,676,931
Proceeds from issuance of debentures		1,735,916	2,619,530
Proceeds related to sale and lease back transactions		20,369	4,206
Capital contribution from non-controlling interests		1,000	3,297
Cash inflows from settlement of derivative instruments		2,226	-
Repayment of borrowings		(2,875,849)	(2,029,029)
Redemption of debentures		(1,517,266)	(1,653,466)
Cash outflows from settlement of derivative instruments		-	(11,962)
Payment of hybrid securities interests		(9,546)	(9,511)
Payment of finance lease liabilities		(11,647)	(10,122)
Cash outflows from other financing activities		(70)	(453)
Interest paid		(178,816)	(165,150)
Dividends paid		(77,554)	(73,914)
Net cash provided by (used in) financing activities	₩	(203,598)	350,357
Net increase (decrease) in cash and cash equivalents		296,694	(64,915)
Cash and cash equivalents at beginning of the period		1,751,268	1,928,136
Impact of foreign currency exchange rates on cash and cash equivalents		239	246
Exchange differences on translating foreign operations		(26,990)	16,579
Cash and cash equivalents at end of the period	₩	2,021,211	1,880,046

See accompanying notes to the condensed consolidated interim financial statements.

September 30, 2016 and 2015

(Unaudited)

1. General Description of Reporting Entity

(a) Organization and Description of the Company

Lotte Shopping Co., Ltd. (the "Company") was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores, outlet stores, discount stores, supermarkets and H&B stores. In addition to the retail operations, the Company's business includes a chain of multiplex movie theaters under the brand name of Lotte Cinema and so on. The Company's stock was listed on the Korea Exchange and the London Stock Exchange through an initial public offering in February 2006.

The stockholders of the Company as of September 30, 2016 are as follows:

Stockholder	Number of shares	Ownership (%)
Shin, Dong Bin	4,237,627	13.46
Shin, Dong Ju	4,235,883	13.45
Shin, Kyuk Ho	293,877	0.93
Shin, Young Ja	232,818	0.74
Hotel Lotte Co., Ltd.	2,781,947	8.83
Korea Fuji Film Co., Ltd.	2,474,543	7.86
Lotte Confectionery Co., Ltd.	2,474,543	7.86
LOTTE DATA COMMUNICATION COMPANY	1,515,653	4.81
Lotte Chilsung Beverage Co., Ltd.	1,237,272	3.93
Lotte Engineering & Construction Co., Ltd.	300,019	0.95
Hotel Lotte Pusan Co., Ltd.	246,720	0.78
Treasury share	1,938,688	6.16
Others	9,521,302	30.24
Total	31,490,892	100.00

(b) Description of Subsidiaries

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and joint ventures. A summary of the subsidiaries of the Company as of September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Lotte Card Co., Ltd.	Korea	Credit card, financing	Dec. 31	93.78
eB Card Co., Ltd.	Korea	Electronic banking business	Dec. 31	95.00
Gyeonggi Smartcard Co., Ltd.	Korea	Electronic banking business	Dec. 31	100.00
Inchon Smartcard Co., Ltd.	Korea	Electronic banking business	Dec. 31	100.00
The 6th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 7th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 8th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 9th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 10th Supreme (*1)	Korea	SPC	Dec. 31	0.50
PT. Lotte Members Indonesia	Indonesia	Business support service	Dec. 31	100.00
LOTTE Members China	China	Business support service	Dec. 31	100.00
Lotte Members Vietnam Co., Ltd.	Vietnam	Business support service	Dec. 31	100.00
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	Dec. 31	53.03

September 30, 2016 and 2015

(Unaudited)

1. General Description of Reporting Entity, Continued

(b) Description of Subsidiaries, continued

	September 30, 2016			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Lotte DatViet Homeshopping Co., Ltd.	Vietnam	TV Home Shopping	Dec. 31	90.02
Korea Seven Co., Ltd.	Korea	Distribution	Dec. 31	51.14
Buy the way Inc.	Korea	Distribution	Dec. 31	100.00
NCF Co., Ltd.	Korea	Apparel manufacturing	Dec. 31	99.80
Lotte Gimhae Development Co., Ltd.	Korea	Service company	Dec. 31	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	95.00
Lotte Songdo Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	56.30
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	99.95
LOTTE Himart Co., Ltd. (*2)	Korea	Consumer electronics	Dec. 31	65.25
Lotte Department Store Masan Co., Ltd.	Korea	Distribution	Dec. 31	100.00
Lotte Members Co., Ltd	Korea	Business support service	Dec. 31	93.78
LOTTE.COM INC	Korea	E-commerce business	Dec. 31	50.01
LOTTE PS NET	Korea	Financial support service	Dec. 31	63.64
Lotte Ulsan Development Co., Ltd.	Korea	Real estate business, Real estate lease	Dec. 31	95.98
Lotte (China) Management Co., Ltd.	China	Business management	Dec. 31	70.00
Lotte Shopping Holdings (Hong Kong) Co., Limited	Hong Kong	Holding company	Dec. 31	100.00
Qingdao LOTTE Mart Commercial Co., Ltd.	China	Distribution	Dec. 31	100.00
LOTTE MART COMPANY LIMITED (*3)	China	Distribution	Dec. 31	100.00
Liaoning LOTTE Mart Co., Ltd. (*3)	China	Distribution	Dec. 31	100.00
Lotte Mart China Co., Ltd. (*4)	China	Distribution, Real estate development	Dec. 31	100.00
Swift Harvest Ltd. and its subsidiaries (*4)	Hong Kong	Distribution, Real estate development	Dec. 31	100.00
Hong Fung Ltd. and its subsidiaries (*4)	Hong Kong	Real estate development	Dec. 31	100.00
Nantong Meili Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Zhuji Decheng Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Nantong Yaodong Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Nantong Fuhua Properties Limited and its subsidiary (*4)	China	Real estate development	Dec. 31	100.00
Nantong Jinyou Properties Limited and its subsidiary (*4)	China	Real estate development	Dec. 31	100.00
Nantong Branda Properties Limited and its subsidiary (*4)	China	Real estate development	Dec. 31	100.00
Nantong Fortune Trade Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Nantong Fine Spring Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Nantong Fine Port Properties Limited and its subsidiary (*4)	China	Real estate development	Dec. 31	100.00

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(b) Description of Subsidiaries, continued

	September 30, 2016			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Huai An Full Faith Properties Limited (*4)	China	Real estate development	Dec. 31	100.00
Jilin LOTTE Mart Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Mart (Chongqing) Commercial Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Business Management (Tianjin) Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Department Store (Shenyang) Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte International Department Store (Weihai) Co., Ltd.	China	Distribution	Dec. 31	100.00
LOTTE DEPARTMENT STORE (TIANJIN) CO., LTD.	China	Distribution	Dec. 31	100.00
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	100.00
LOTTE MART (CHENGDU) COMMERCIAL COMPANY LIMITED	China	Distribution	Dec. 31	100.00
Lotte Shopping Business Management (Hong Kong) Limited	Hong Kong	SPC	Dec. 31	100.00
LHSC Limited	Cayman islands	Holding company	Dec. 31	91.14
Lucky Pai Ltd. and its subsidiaries	China	TV Home Shopping	Dec. 31	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease, Apartment sales services	Dec. 31	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY (*5) (Formerly, LOTTE VIETNAM SHOPPING CO., LTD.)	Vietnam	Distribution	Dec. 31	99.99
PT. LOTTE SHOPPING INDONESIA (*5)	Indonesia	Distribution	Dec. 31	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	100.00
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	60.00
Kotobuki Holding (HK) Ltd.	Hong Kong	Holding company	Dec. 31	100.00
Hai Thanh - Kotobuki Joint Venture Company	Vietnam	Hotel	Dec. 31	70.00
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	90.00

September 30, 2016 and 2015

(Unaudited)

	September 30, 2016			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
LOTTE E-Commerce Vietnam Co., Ltd	Vietnam	Distribution	Dec. 31	100.00

(*1) Although the Group holds less than 50% of these investees, the Group determined that the Group controlled these investees, since it was exposed, or had rights, to variable returns from its involvement with these investees and had the ability to affect those returns through its power over these investees.

(*2) During 2013, the Company issued exchangeable bonds which are exchangeable to common stocks of LOTTE Himart Co., Ltd. Due to the exercise of the put option, the Company redeemed ₩307,400 million of the issued bonds on January 25, 2016. Therefore, the total number of the exchangeable common stocks for the issued bond is changed from 3,538,224 shares to 152,016 shares. If all exchangeable bonds are exchanged to the common stocks of LOTTE Himart Co., Ltd., the Company's percentage of ownership on LOTTE Himart Co., Ltd. will be decreased from 65.25% to 64.60%. In addition, the Company entered into securities lending agreements to lend shares of LOTTE Himart Co., Ltd. owned by the Company up to 50% of the total exchangeable common stocks. As of December 31, 2015, the total number of the common stocks of Lotte Himart Co., Ltd. under securities lending agreements is 1,180,384 shares. On January 25, 2016, the Company collected all of them.

(*3) For the nine-month period ended September 30, 2016, these were reclassified to subsidiaries of Lotte Shopping Holdings (Hong Kong) Co., Limited.

(*4) These subsidiaries were presented as Lotte Mart China Co., Ltd. and its subsidiaries until 2014. As Lotte Mart China Co., Ltd. sold the shares of these subsidiaries to Lotte Shopping Holdings (Hong Kong) Co., Limited in 2015, the Group presents these subsidiaries separately.

(*5) For the nine-month period ended September 30, 2016, these were reclassified to subsidiaries of LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(b) Description of Subsidiaries, continued

	December 31, 2015			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Lotte Card Co., Ltd.	Korea	Credit card, financing	Dec. 31	93.78
eB Card Co., Ltd.	Korea	Electronic banking business	Dec. 31	95.00
Gyeonggi Smartcard Co., Ltd.	Korea	Electronic banking business	Dec. 31	100.00
Inchon Smartcard Co., Ltd.	Korea	Electronic banking business	Dec. 31	100.00
The 6th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 7th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 8th Supreme (*1)	Korea	SPC	Dec. 31	0.90
The 9th Supreme (*1)	Korea	SPC	Dec. 31	0.90
PT. Lotte Members Indonesia	Indonesia	Business support service	Dec. 31	100.00
LOTTE Members China	China	Business support service	Dec. 31	100.00
Lotte Members Vietnam Co., Ltd.	Vietnam	Business support service	Dec. 31	100.00
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	Dec. 31	53.03
Lotte DatViet Homeshopping Co., Ltd.	Vietnam	TV Home Shopping	Dec. 31	85.58
Korea Seven Co., Ltd.	Korea	Distribution	Dec. 31	51.14
Buy the way Inc.	Korea	Distribution	Dec. 31	100.00
NCF Co., Ltd.	Korea	Apparel manufacturing	Dec. 31	99.80
Lotte Gimhae Development Co., Ltd.	Korea	Service company	Dec. 31	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	95.00
Lotte Songdo Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	56.30
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	99.95
LOTTE Himart Co., Ltd. (*2)	Korea	Consumer electronics	Dec. 31	65.25
Lotte Department Store Masan Co., Ltd.	Korea	Distribution	Dec. 31	100.00
Lotte Members Co., Ltd	Korea	Business support service	Dec. 31	93.78
LOTTE.COM INC	Korea	E-commerce business	Dec. 31	50.01
LOTTE PS NET	Korea	Financial support service	Dec. 31	63.64
LOTTE MART COMPANY LIMITED	China	Distribution	Dec. 31	100.00
Lotte (China) Management Co., Ltd.	China	Business management	Dec. 31	70.00
Lotte Shopping Holdings (Hong Kong) Co., Limited	Hong Kong	Holding company	Dec. 31	100.00
Qingdao LOTTE Mart Commercial Co., Ltd.	China	Distribution	Dec. 31	100.00
Liaoning LOTTE Mart Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Mart China Co., Ltd. and its subsidiaries	China	Distribution, Real estate development	Dec. 31	100.00
Swift Harvest Ltd. and its subsidiaries (*3)	Hong Kong	Distribution, Real estate development	Dec. 31	100.00
Hong Fung Ltd. and its subsidiaries (*3)	Hong Kong	Real estate development	Dec. 31	100.00
Nantong Meili Properties Limited (*3)	China	Real estate development	Dec. 31	100.00
Zhuji Decheng Properties Limited (*3)	China	Real estate development	Dec. 31	100.00

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(b) Description of Subsidiaries, continued

	December 31, 2015			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Nantong Yaodong Properties Limited (*3)	China	Real estate development	Dec. 31	100.00
Nantong Fuhua Properties Limited and its subsidiary (*3)	China	Real estate development	Dec. 31	100.00
Nantong Jinyou Properties Limited and its subsidiary (*3)	China	Real estate development	Dec. 31	100.00
Nantong Branda Properties Limited and its subsidiary (*3)	China	Real estate development	Dec. 31	100.00
Nantong Fortune Trade Properties Limited(*3)	China	Real estate development	Dec. 31	100.00
Nantong Fine Spring Properties Limited (*3)	China	Real estate development	Dec. 31	100.00
Nantong Fine Port Properties Limited and its subsidiary (*3)	China	Real estate development	Dec. 31	100.00
Huai An Full Faith Properties Limited (*3)	China	Real estate development	Dec. 31	100.00
Jilin LOTTE Mart Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Mart (Chongqing) Commercial Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Business Management (Tianjin) Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte Department Store (Shenyang) Co., Ltd.	China	Distribution	Dec. 31	100.00
Lotte International Department Store (Weihai) Co., Ltd.	China	Distribution	Dec. 31	100.00
LOTTE DEPARTMENT STORE (TIANJIN) CO., LTD.	China	Distribution	Dec. 31	100.00
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	100.00
LOTTE MART (CHENGDU) COMMERCIAL COMPANY LIMITED	China	Distribution	Dec. 31	100.00
Lotte Shopping Business Management (Hong Kong) Limited	Hong Kong	SPC	Dec. 31	100.00
LHSC Limited	Cayman islands	Holding company	Dec. 31	91.14
Lucky Pai Ltd. and its subsidiaries	China	TV Home Shopping	Dec. 31	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease, Apartment sales services	Dec. 31	100.00
LOTTE VIETNAM SHOPPING CO., LTD.	Vietnam	Distribution	Dec. 31	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	100.00
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	100.00
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	60.00

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(b) Description of Subsidiaries, continued

	December 31, 2015			
Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)
Kotobuki Holding (HK) Ltd.	Hong Kong	Holding company	Dec. 31	100.00
Hai Thanh - Kotobuki Joint Venture Company	Vietnam	Hotel	Dec. 31	70.00
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	90.00

(*1) Although the Group holds less than 50% of these investees, the Group determined that the Group controlled these investees, since it was exposed, or had rights, to variable returns from its involvement with these investees and had the ability to affect those returns through its power over these investees.

(*2) During 2013, the Company issued exchangeable bonds which are exchangeable to common stocks of LOTTE Himart Co., Ltd. Due to the exercise of the put option, the Company redeemed ₩307,400 million of the issued bonds on January 25, 2016. Therefore, the total number of the exchangeable common stocks for the issued bond is changed from 3,538,224 shares to 152,016 shares. If all exchangeable bonds are exchanged to the common stocks of LOTTE Himart Co., Ltd., the Company's percentage of ownership on LOTTE Himart Co., Ltd. will be decreased from 65.25% to 64.60%. In addition, the Company entered into securities lending agreements to lend shares of LOTTE Himart Co., Ltd. owned by the Company up to 50% of the total exchangeable common stocks. As of December 31, 2015, the total number of the common stocks of Lotte Himart Co., Ltd. under securities lending agreements is 1,180,384 shares. On January 25, 2016, the Company collected all of them.

(*3) These subsidiaries were presented as Lotte Mart China Co., Ltd. and its subsidiaries until 2014. As Lotte Mart China Co., Ltd. sold the shares of these subsidiaries to Lotte Shopping Holdings (Hong Kong) Co., Limited in 2015, the Group presents these subsidiaries separately.

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(c) Financial information of significant subsidiaries as of and for the nine-month period ended September 30, 2016 and as of and for the year ended December 31, 2015 are summarized as follows:

	Korean won (millions)					
	September 30, 2016					
Subsidiaries	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive Income (loss)
Lotte Card Co., Ltd.	₩ 9,781,477	7,634,637	2,146,840	1,230,236	89,878	89,294
eB Card Co., Ltd.	195,706	147,453	48,253	65,039	2,327	2,335
Woori Home Shopping & Television Co., Ltd.	849,548	248,317	601,231	634,065	49,201	43,069
Korea Seven Co., Ltd.	1,107,231	793,480	313,751	2,626,910	35,013	35,355
Buy the way Inc.	145,202	34,683	110,519	140,590	3,426	3,585
Lotte Suwon Station Shopping Town Co., Ltd.	329,697	253,039	76,658	32,864	(7,736)	(7,735)
Lotte Songdo Shopping Town Co., Ltd.	266,447	183,105	83,342	22,939	(9,896)	(9,897)
CS Mart Co., Ltd.	163,690	54,717	108,973	317,729	7,913	7,917
LOTTE Himart Co., Ltd.	2,947,310	1,082,602	1,864,708	2,959,835	93,559	92,032
Lotte Members Co., Ltd	193,306	162,503	30,803	45,598	1,327	1,170
LOTTE.COM INC	129,841	126,421	3,420	151,470	(26,353)	(26,188)
LOTTE MART COMPANY LIMITED	188,457	224,663	(36,206)	240,563	(15,085)	(11,794)
Qingdao LOTTE Mart Commercial Co., Ltd.	12,080	72,743	(60,663)	-	(9,197)	(3,807)
Lotte Shopping Holdings (Hong Kong) Co., Limited	1,180,041	700,974	479,067	690	(10,188)	(51,548)
Swift Harvest Ltd. and its subsidiaries	597,610	866,760	(269,150)	557,426	(98,987)	(92,100)
LOTTE PROPERTIES (CHENGDU) HK LIMITED	427,514	219,354	208,160	-	(1,738)	(5,034)
Lotte Properties (Chengdu) Limited	542,985	187,427	355,558	-	(9,185)	(45,363)
LHSC Limited	28,403	-	28,403	-	(90)	(2,052)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY (Formerly, LOTTE VIETNAM SHOPPING CO., LTD.)	430,579	402,515	28,064	194,067	(8,365)	(10,109)
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	602,697	3	602,694	-	4,167	(16,650)
PT. LOTTE SHOPPING INDONESIA	301,538	172,915	128,623	639,477	10,826	9,792
PT. LOTTE MART INDONESIA	174,990	181,836	(6,846)	205,876	(9,140)	(8,868)

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(c) Financial information of significant subsidiaries as of and for the nine-month period ended September 30, 2016 and as of and for the year ended December 31, 2015 are summarized as follows:, continued

	Korean won (millions)					
	December 31, 2015					
Subsidiaries	Assets	Liabilities	Equity	Sales	Net income (loss)	Total comprehensive Income (loss)
Lotte Card Co., Ltd.	₩ 9,198,112	7,140,566	2,057,546	1,625,815	134,273	140,751
eB Card Co., Ltd.	186,395	140,477	45,918	69,718	(1,478)	(1,448)
Woori Home Shopping & Television Co., Ltd.	846,466	253,310	593,156	854,483	15,756	(22,597)
Korea Seven Co., Ltd.	1,005,362	725,263	280,099	3,079,967	10,616	10,195
Buy the way Inc.	144,380	37,447	106,933	234,847	(54,769)	(54,557)
Lotte Suwon Station Shopping Town Co., Ltd.	355,624	271,231	84,393	46,138	(12,943)	(12,939)
Lotte Songdo Shopping Town Co., Ltd.	240,931	147,692	93,239	5,378	(1,911)	(1,910)
CS Mart Co., Ltd.	156,077	55,021	101,056	431,707	10,119	10,360
LOTTE Himart Co., Ltd.	2,905,213	1,122,386	1,782,827	3,896,137	106,595	105,484
Lotte Members Co., Ltd	179,446	150,085	29,361	56,916	153	119
LOTTE.COM INC	194,553	164,944	29,609	211,241	3,878	(1,187)
LOTTE MART COMPANY LIMITED	149,837	174,249	(24,412)	334,162	(26,008)	(26,048)
Qingdao LOTTE Mart Commercial Co., Ltd.	20,399	145,979	(125,580)	24,617	(72,610)	(74,729)
Lotte Shopping Holdings (Hong Kong) Co., Limited	1,195,329	733,439	461,890	-	(430,468)	(392,957)
Swift Harvest Ltd. and its subsidiaries	705,045	899,997	(194,952)	838,622	(99,837)	(100,109)
LOTTE PROPERTIES (CHENGDU) HK LIMITED	436,070	222,876	213,194	-	(6,998)	5,460
Lotte Properties (Chengdu) Limited	532,211	131,290	400,921	-	(3,816)	3,617
LHSC Limited	30,455	-	30,455	-	(164,324)	(157,743)
LOTTE VIETNAM SHOPPING CO., LTD.	435,575	397,402	38,173	216,131	(26,417)	(25,730)
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	318,693	16	318,677	-	(37,416)	(16,528)
PT. LOTTE SHOPPING INDONESIA	269,260	150,430	118,830	768,484	11,039	7,216
PT. LOTTE MART INDONESIA	175,309	173,286	2,023	245,874	(15,703)	(16,272)

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(d) Entities included in subsidiaries in 2016 are as follows:

Description	Subsidiaries
Establishment	Lotte Ulsan Development Co., Ltd.
	LOTTE E-Commerce Vietnam Co., Ltd
	The 10th Supreme
Reclassification from joint venture due to acquisition of additional interests	Chongqing Yujia Lucky Pai Commercial Co., Ltd. (Formerly, Chongqing Yujia Co., Ltd.)

(e) Entities excluded from subsidiaries in 2016 are as follows:

Description	Subsidiaries
Liquidation	Times Supermarket Limited
	Wealth Concept Inc.
	Supreme Forum Ltd.
	Apex Forum Ltd.
	Ocean Luck Asia Investment Ltd.
	East Fine Enterprise Ltd.
	Fine Port Ltd
	Fine Spring Ltd.
	Full Faith Development Ltd.
	Goldwell Corporation Ltd.
	Ocean Rich International Ltd.
	Waho (China) Ltd.
	Wealthland Corporation Ltd.
Loss of control	Hangzhou Lucky Pai Investment Co., Ltd. (*)
	Heilongjiang Fangxin TV shopping Media. Co., Ltd. (*)

(*) Companies described above had been subsidiaries of Lucky Pai Ltd., but they were excluded from consolidation due to loss of control as of September 30, 2016.

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(f) Non-controlling interests

Financial information related to significant non-controlling interests for subsidiaries as of and for the nine-month period ended September 30, 2016 and as of and for the year ended December 31, 2015 are as follows:

		September 30, 2016			
Description		Woori Home Shopping & Television Co., Ltd.	Lotte Card Co., Ltd.	Korea Seven Co., Ltd.	LOTTE Himart Co., Ltd.
Ownership interests held by NCI		46.97%	6.22%	48.86%	34.75%
Current assets	₩	565,958	9,494,091	388,070	677,867
Non-current assets		326,876	466,714	722,317	783,544
Current liabilities		227,722	2,983,050	634,847	410,659
Non-current liabilities		22,019	4,856,018	158,633	719,722
Net assets		643,093	2,121,737	316,907	331,030
Net assets attributable to non-controlling interests		302,307	132,790	153,219	115,043
Dividends paid to non-controlling interests during the period		14,090	-	832	3,528
Sales		642,067	1,384,190	2,626,910	2,959,835
Net income		46,954	86,249	35,013	90,501
Total comprehensive income		40,359	84,420	35,355	88,974
Profit attributable to non-controlling interests		21,907	5,225	17,108	31,452
Total comprehensive income attributable to non-controlling interests		18,772	5,112	17,275	30,921
Cash flows from operating activities		56,060	129,271	106,664	150,651
Cash flows from investing activities		49,107	(40,278)	(59,794)	(44,022)
Cash flows from financing activities		(30,000)	366,482	20,510	(126,964)
Effect of currency exchange rate		(299)	(16)	-	-
Net increase (decrease) in cash and cash equivalents		74,868	455,459	67,380	(20,335)

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(f) Non-controlling interests, continued

Financial information related to significant non-controlling interests for subsidiaries as of and for the nine-month period ended September 30, 2016 and as of and for the year ended December 31, 2015 are as follows:, continued

	Korean won (millions)			
	December 31, 2015			
Description	Woori Home Shopping & Television Co., Ltd.	Lotte Card Co., Ltd.	Korea Seven Co., Ltd.	LOTTE Himart Co., Ltd.
Ownership interests held by NCI	46.97%	6.22%	48.86%	34.75%
Current assets	₩ 566,430	8,893,970	324,879	640,377
Non-current assets	320,939	508,588	683,638	782,971
Current liabilities	235,407	2,601,830	578,113	638,445
Non-current liabilities	19,210	4,763,411	147,150	532,696
Net assets	632,752	2,037,317	283,254	252,207
Net assets attributable to non-controlling interests	297,320	127,678	136,776	87,650
Dividends paid to non-controlling interests during the year	10,332	-	1,770	2,707
Sales	864,626	1,789,948	3,079,967	3,896,137
Net income	56,696	119,811	10,442	102,518
Total comprehensive income	18,389	123,231	10,021	101,406
Profit attributable to non-controlling interests	26,408	7,348	5,102	35,628
Total comprehensive income attributable to non-controlling interests	8,420	7,560	4,897	35,242
Cash flows from operating activities	(38,781)	(530,980)	147,610	120,304
Cash flows from investing activities	37,752	(47,305)	(119,197)	(84,763)
Cash flows from financing activities	(22,000)	728,580	(79,358)	(10,612)
Effect of currency exchange rate	50	474	-	-
Net increase (decrease) in cash and cash equivalents	(22,979)	150,769	(50,945)	24,929

September 30, 2016 and 2015

(Unaudited)

1. General Description of the Reporting Entity, Continued

(g) Changes in a parent's ownership interest in subsidiaries that did not result in change in control

Details of the parent's additional investments in subsidiaries for the nine-month period ended September 30, 2016 is summarized as follows:

	2016				
				Korean won (millions)	
		Percentage of ownership (%)		Parent's portion in net assets	
Subsidiaries	Korean won (millions)	Before	After	Before	After
Qingdao LOTTE Mart	₩ 41,025	100.00%	100.00%	₩ (127,157)	(86,132)
Commercial Co., Ltd.	27,700	100.00%	100.00%	(89,483)	(61,783)
LOTTE CINEMA VIETNAM CO., LTD.	10,299	90.00%	90.00%	8,295	18,594
Lotte Datviet Homeshopping Co., Ltd.	5,951	85.58%	90.02%	398	5,776
Lotte Ulsan Development Co., Ltd.	13,900	100.00%	95.98%	9,684	23,513
Total	₩ 98,875			₩ (198,263)	(100,032)

2. Basis of Accounting

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in *the Act on External Audits of Stock Companies*.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034 '*Interim Financial Reporting*' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2015.

(b) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2015.

3. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2015.

September 30, 2016 and 2015

(Unaudited)

4. Trade and Other Receivables

Trade and other receivables as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Trade receivables	₩	528,239	621,014
Other receivables		419,192	349,065
Allowance for doubtful accounts		(27,637)	(51,228)
Total	₩	919,794	918,851

5. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of September 30, 2016 and December 31, 2015 are summarized as follows:

			Korean won (millions)	
Description	Depositary		**September 30, 2016**	**December 31, 2015**
Current:				
Time deposits	Shinhan Bank and others	₩	33,001	78,441
Special deposits	Industrial Bank of Korea and others		175,094	154,000
Money Market Fund	Citibank and others		26,247	21,744
Non-current:				
Special deposits	Busan Bank and others		4,506	2,505
Available-for-sale financial assets	Busan City Hall and others		20,806	21,408
Total		₩	259,654	278,098

September 30, 2016 and 2015

(Unaudited)

6. Fair Value of Financial Instruments

(a) The carrying amount and the fair value of financial instruments as of September 30, 2016 and December 31, 2015 are summarized as follows:

			Korean won (millions)			
			September 30, 2016		**December 31, 2015**	
			Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩	2,021,211	2,021,211	1,751,268	1,751,268
Financial assets at fair value through profit or loss	Short-term financial instruments		20,001	20,001	60,003	60,003
	Derivative assets held for the purpose of trading		15,764	15,764	-	-
	Subtotal		35,765	35,765	60,003	60,003
Loans and receivables (*1)	Current :					
	Trade and other receivables		919,794	919,794	918,851	918,851
	Short-term financial instruments		1,029,914	1,029,914	1,221,935	1,221,935
	Short-term loans		11,273	11,273	12,136	12,136
	Accrued income		33,670	33,670	37,664	37,664
	Current portion of deposits		98,598	98,598	107,947	107,947
	Card financial assets		8,303,285	8,303,285	8,178,959	8,178,959
	Non-current :					
	Long-term financial instruments		4,506	4,506	2,507	2,507
	Long-term loans		54,934	54,934	54,909	54,909
	Deposits		1,395,764	1,395,764	1,361,193	1,361,193
	Accrued income		16	16	8	8
	Subtotal		11,851,754	11,851,754	11,896,109	11,896,109
Available-for-sale financial assets	Marketable available-for-sale financial assets (*2)		282,231	282,231	282,887	282,887
	Non-marketable available-for-sale financial assets (*3)		313,850	313,850	279,170	279,170
	Subtotal		596,081	596,081	562,057	562,057
Derivative assets held for the purpose of hedging	Current		6,745	6,745	53,868	53,868
	Non-current		27,128	27,128	108,519	108,519
	Subtotal		33,873	33,873	162,387	162,387
	Total	₩	14,538,684	14,538,684	14,431,824	14,431,824

(*1) Book value is considered as a reasonable approximation of fair value.
(*2) Marketable available-for-sale financial assets traded in the active market are measured at fair value based on the market prices.

September 30, 2016 and 2015

(Unaudited)

6. Fair Value of Financial Instruments, Continued

(a) The carrying amount and the fair value of financial instruments as of September 30, 2016 and December 31, 2015 are summarized as follows:, continued

(*3) Some of non-marketable available-for-sale financial assets that do not have a quoted market price in an active market are measured at fair value based on valuation from external valuation agencies as of the end of reporting period. Others are recorded at acquisition cost because either the fair value cannot be reliably measured or the difference between fair value and acquisition cost is immaterial.

(b) Other financial assets as of September 30, 2016 and December 31, 2015 are summarized as follows:

Account		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Current:			
Short-term financial instruments	₩	1,049,914	1,281,938
Short-term loans		11,273	12,136
Accrued income		33,670	37,664
Deposits		98,598	107,947
Card business financial assets		8,303,285	8,178,959
Derivative assets held for the purpose of hedging		6,745	53,868
Subtotal		9,503,485	9,672,512
Non-current:			
Long-term financial instruments		4,506	2,507
Available-for-sale financial assets		596,081	562,057
Long-term loans		54,934	54,909
Deposits		1,395,764	1,361,193
Long-term accrued income		16	8
Derivative assets held for the purpose of trading		15,764	-
Derivative assets held for the purpose of hedging		27,128	108,519
Subtotal		2,094,193	2,089,193
Total	₩	11,597,678	11,761,705

6. Fair Value of Financial Instruments, Continued

(c) Available-for-sale financial assets as of September 30, 2016 and December 31, 2015 are summarized as follows:

	Korean won (millions)				
	September 30, 2016				**December 31, 2015**
	Number of shares	Percentage of ownership	Acquisition cost	Carrying amount	Carrying amount
Marketable available-for-sale financial assets:					
BNK Financial Group Inc.	8,543,826	2.62%	₩ 56,179	73,306	55,248
Shinhan Financial Group Co., Ltd.	311,118	0.07%	2,247	12,491	12,305
LOTTE FOOD CO., LTD.	47,180	3.45%	10,167	32,413	44,774
momo.com Inc.	21,333,420	15.02%	37,684	156,815	161,737
Others			5,622	7,206	8,823
Subtotal			₩ 111,899	282,231	282,887
Non-marketable available-for-sale financial assets:					
LOTTE Logistics Corp.	66,308	4.64%	₩ 4,000	15,555	13,865
LOTTE rental co., ltd.	1,592,072	13.53%	164,967	162,439	142,420
SPARX Asset Management Korea Co., Ltd. (Formerly, Cosmo Asset Management Co., Ltd.)	149,807	17.70%	50,118	34,414	34,457
Lotte Properties (Shenyang) Limited	29,928,756	17.93%	41,919	41,919	41,919
Investment in government bonds			10,619	10,570	386
Others			50,886	48,953	46,123
Subtotal			322,509	313,850	279,170
Total			₩ 434,408	596,081	562,057

September 30, 2016 and 2015

(Unaudited)

6. Fair Value of Financial Instruments, Continued

(d) The carrying amount and the fair value of financial liabilities as of September 30, 2016 and December 31, 2015 are summarized as follows:

			Korean won (millions)			
			September 30, 2016		**December 31, 2015**	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at fair value through profit or loss	Overseas convertible bonds	₩	-	-	113,440	113,440
	Non-current derivative liabilities held for the purpose of trading		26,564	26,564	24,608	24,608
	Subtotal		26,564	26,564	138,048	138,048
Financial liabilities based on amortized cost (*)	Current :					
	Trade and other payables		5,390,553	5,390,553	5,465,907	5,465,907
	Short-term borrowings		1,442,017	1,442,017	1,789,819	1,789,819
	Current portion of long-term borrowings		750,480	750,480	467,641	467,641
	Current portion of long-term debentures		2,575,171	2,575,171	1,896,239	1,896,239
	Accrued expenses		363,116	363,116	276,716	276,716
	Current portion of withholding deposit		239,293	239,293	244,524	244,524
	Other liabilities		26,678	26,678	11,947	11,947
	Non-current :					
	Long-term borrowings		1,623,034	1,623,034	1,856,538	1,856,538
	Long-term debentures		7,459,818	7,459,818	7,959,900	7,959,900
	Withholding deposit		205,712	205,712	201,134	201,134
	Other liabilities		41,833	41,833	38,465	38,465
	Subtotal		20,117,705	20,117,705	20,208,830	20,208,830
Derivative liabilities held for the purpose of hedging	Current		14,189	14,189	602	602
	Non-current		110,425	110,425	15,345	15,345
	Subtotal		124,614	124,614	15,947	15,947
	Total	₩	20,268,883	20,268,883	20,362,825	20,362,825

(*) Book value is considered as a reasonable approximation of fair value.

6. Fair Value of Financial Instruments, Continued

(e) Other financial liabilities as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Current:			
Accrued expenses	₩	363,116	276,716
Deposit received		239,293	244,524
Derivative liabilities held for the purpose of hedging		14,189	602
Finance lease liabilities		24,087	11,282
Others		2,591	665
Subtotal		643,276	533,789
Non-current:			
Deposit received		205,712	201,134
Derivative liabilities held for the purpose of hedging		110,425	15,345
Derivative liabilities held for the purpose of trading		26,564	24,608
Finance lease liabilities		24,764	32,870
Other financial liabilities		17,069	5,595
Subtotal		384,534	279,552
Total	₩	1,027,810	813,341

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(Unaudited)

6. Fair Value of Financial Instruments, Continued

(f) The fair value hierarchy

The fair value measurements classified by fair value hierarchy as of September 30, 2016 are as follows:

Description		Korean won (millions)			
		Level Ⅰ	Level Ⅱ	Level Ⅲ	Total
Available-for-sale financial assets	₩	282,231	10,570	218,786	511,587
Derivative assets		-	33,873	15,764	49,637
Total financial assets		282,231	44,443	234,550	561,224
Derivative liabilities		-	124,614	26,564	151,178
Total financial liabilities	₩	-	124,614	26,564	151,178

The fair value measurements classified by fair value hierarchy as of December 31, 2015 are as follows:

Description		Korean won (millions)			
		Level Ⅰ	Level Ⅱ	Level Ⅲ	Total
Available-for-sale financial assets	₩	282,887	386	198,034	481,307
Derivative assets		-	162,387	-	162,387
Total financial assets		282,887	162,773	198,034	643,694
Overseas convertible bonds		-	113,440	-	113,440
Derivative liabilities		-	15,947	24,608	40,555
Total financial liabilities	₩	-	129,387	24,608	153,995

In measuring Level 2 fair values, the Group used Strip & Bootstrapping method, etc. and the Group used the significant observable inputs of risk-free rate, etc.

In measuring Level 3 fair values, the Group used discounted cash flows model, etc. and the Group used the significant unobservable inputs of forecast annual revenue growth rate and risk-adjusted discount rate, etc.

September 30, 2016 and 2015

(Unaudited)

6. Fair Value of Financial Instruments, Continued

(g) Level 3 fair values

Changes in Level 3 fair values for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

Description		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Beginning of the period	₩	173,426	112,217
Gain included in finance income (costs)			
- Gain on valuation of derivative instruments		13,765	167
Gain (loss) included in OCI			
- Net change in unrealized fair value of available-for-sale financial assets		(6,259)	7,262
Purchases		27,054	137,912
Disposal		-	(84,132)
End of the period	₩	207,986	173,426

(h) Sensitivity analysis

For the fair values of available-for-sale financial assets and stock options, reasonably possible changes as of September 30, 2016 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on fair values.

(i) Equity securities

Description		Korean won (millions)			
		Discount rate		Terminal growth rate	
		1% Decrease	1% Increase	0.5% Increase	1% Increase
Available-for-sale financial assets	₩	76,721	(57,974)	16,026	48,181

(ii) Stock options (liability-classified)

Description		Korean won (millions)			
		Stock price		Stock price volatility	
		10% Decrease	10% Increase	1% Decrease	1% Increase
Stock options	₩	(5,378)	5,393	(3)	5

7. Inventories

(a) Inventories as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)					
		September 30, 2016			**December 31, 2015**		
		Acquisition cost	Allowance for valuation	Book value	Acquisition cost	Allowance for valuation	Book value
Merchandise	₩	3,094,085	(27,837)	3,066,248	2,952,329	(21,290)	2,931,039
Finished goods		13,618	(4,278)	9,340	17,579	(4,798)	12,781
Goods in process		917	-	917	969	-	969
Raw materials		1,472	(152)	1,320	973	(125)	848
Subsidiary materials		-	-	-	23	-	23
Supplies		1,662	-	1,662	2,244	-	2,244
Materials-in-transit		4,703	-	4,703	2,149	-	2,149
Unsold apartment units		10,286	-	10,286	29,412	-	29,412
Unfinished apartment units		319,719	-	319,719	286,532	-	286,532
Total	₩	3,446,462	(32,267)	3,414,195	3,292,210	(26,213)	3,265,997

(b) For the three-month and nine-month periods ended September 30, 2016 and 2015, the amount of inventories recognized as cost of goods sold and changes of allowance for valuation losses of inventories are summarized as follows:

		Korean won (millions)			
		2016		**2015**	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Cost of goods sold:					
- Amount of inventories recognized as cost of goods sold	₩	4,821,518	14,122,901	4,847,201	13,996,377
- Changes of allowance for valuation losses of inventories		417	6,055	1,078	6,936

8. Other Non-financial Assets

Other non-financial assets as of September 30, 2016 and December 31, 2015 are summarized as follows:

Description		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Current:			
Advance payments	₩	84,560	132,282
Prepaid expenses		205,026	174,145
Prepaid value added tax		58,360	78,909
Others		-	60
Subtotal		347,946	385,396
Non-current:			
Long-term advance payments		236,372	183,727
Long-term prepaid expenses (*)		1,046,005	1,226,136
Others		4,256	3,942
Subtotal		1,286,633	1,413,805
Total	₩	1,634,579	1,799,201

(*) Long-term prepaid expenses mainly consist of lease prepayments.

9. Non-current assets held for sale

Non-current assets held for sale as of September 30, 2016 and December 31, 2015 are as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Land (*1)	₩	112	-
Buildings (*1)		2,249	-
Tools and equipment(*2)		-	447
Total		2,361	447

(*1) Since Lotte.com decided to dispose of its land and buildings in 2016, these assets were reclassified to non-current assets held for sale.

(*2) Since Qingdao Lotte Mart Commercial Co., Ltd. closed the Deyang store and decided to dispose of its tools and equipment in 2015, these assets were reclassified to non-current assets held for sale. In 2016, Qingdao Lotte Mart Commercial Co., Ltd. decided to dispose its tools and equipment to Swift Harvest Ltd., a subsidiary of the Company. Therefore, the Group reclassified these assets from non-current assets held for sale to property, plant and equipment.

10. Investments in Associates

(a) The details of associates as of September 30, 2016 and December 31, 2015 are summarized as follows:

	September 30, 2016			
				Korean won (millions)
Company	Location	Principal business	Percentage of ownership (%)	Balance at September 30, 2016
Lotte Station Building Co., Ltd.	Korea	Distribution	25.00	₩ 119,616
Daehong Communications Co., Ltd.	Korea	Advertisement agency	34.00	136,241
Lotte Capital Co., Ltd.	Korea	Capital	22.36	213,951
Lotteria Co., Ltd.	Korea	Restaurant chain	38.68	230,116
FRL Korea Co., Ltd.	Korea	Retail	49.00	178,165
Lotte Asset Development Co., Ltd.	Korea	Real estate development	39.14	45,559
Lotte Trading Co., Ltd.	Korea	Product brokerage	27.68	114,914
Lotte Europe Holdings B.V.	Netherlands	Holding company	26.98	-
Coralis S.A.	Luxembourg	Holding company	45.00	-
Others				151,902
Total				₩ 1,190,464

	December 31, 2015			
				Korean won (millions)
Company	Location	Major operaition	Ownership (%)	Balance at December 31, 2015
Lotte Station Building Co., Ltd.	Korea	Distribution	25.00	₩ 121,725
Daehong Communications Co., Ltd.	Korea	Advertisement agency	34.00	135,243
Lotte Capital Co., Ltd.	Korea	Capital	22.36	195,323
Lotteria Co., Ltd.	Korea	Restaurant chain	38.68	239,270
FRL Korea Co., Ltd.	Korea	Retail	49.00	187,626
Lotte Asset Development Co., Ltd.	Korea	Real estate development	39.14	49,316
Lotte Trading Co., Ltd.	Korea	Product brokerage	27.68	124,077
Lotte Europe Holdings B.V.	Netherlands	Holding company	26.98	-
Coralis S.A.	Luxembourg	Holding company	45.00	11,923
Others				131,252
Total				₩ 1,195,755

September 30, 2016 and 2015

(Unaudited)

10. Investments in Associates, Continued

(b) Changes in investments in associates for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

		Korean won (millions)							
		2016							
			Adjustment to						
Company		Beginning balance	Acquisition	Dividends	Net income (loss)	Capital adjustment	Disposal	Others	Balance at September 30, 2016
Lotte Station Building Co., Ltd.	₩	121,725	-	(7,382)	5,912	(641)	-	2	119,616
Daehong Communications Co., Ltd.		135,243	-	(680)	4,824	(2,952)	-	(194)	136,241
Lotte Capital Co., Ltd.		195,323	-	(2,234)	25,936	(4,227)	-	(847)	213,951
Lotteria Co., Ltd.		239,270	-	-	(3,239)	(5,103)	-	(812)	230,116
FRL Korea Co., Ltd.		187,626	-	-	4,064	(13,525)	-	-	178,165
Lotte Asset Development Co., Ltd.		49,316	-	-	207	(2,690)	-	(1,274)	45,559
Lotte Trading Co., Ltd.		124,077	-	-	851	(10,156)	-	142	114,914
Lotte Europe Holdings B.V.		-	-	-	-	-	-	-	-
Coralis S.A.		11,923	4,474	-	(17,319)	922	-	-	-
Others		131,252	25,755	-	520	(2,379)	(3,088)	(158)	151,902
Total	₩	1,195,755	30,229	(10,296)	21,756	(40,751)	(3,088)	(3,141)	1,190,464

		Korean won (millions)								
		2015								
			Adjustment to							
Company		Beginning balance	Acquisition	Business combination	Dividends	Net income (loss)	Capital adjustment	Disposal	Others	Balance at December 31, 2015
Lotte Station Building Co., Ltd.	₩	123,646	-	-	(13,597)	10,546	1,130	-	-	121,725
Daehong Communications Co., Ltd.		122,989	-	-	(9)	5,066	7,711	-	(514)	135,243
Lotte Capital Co., Ltd.		152,953	-	-	(2,234)	20,157	24,962	-	(515)	195,323
Lotteria Co., Ltd.		241,347	-	-	-	(3,093)	1,197	-	(181)	239,270
FRL Korea Co., Ltd.		161,831	-	-	(19,502)	44,816	481	-	-	187,626
Lotte Asset Development Co., Ltd.		40,871	19,571	-	-	(5,078)	(6,383)	-	335	49,316
Lotte Trading Co., Ltd.		134,725	-	-	-	2,398	(13,571)	-	525	124,077
Lotte Europe Holdings B.V.		11,731	10,855	-	-	(24,450)	(2,832)	-	4,696	-
Coralis S.A.		37,616	-	-	-	(24,786)	(907)	-	-	11,923
Others		119,377	49,764	396	-	(18,930)	7	(12,003)	(7,359)	131,252
Total	₩	1,147,086	80,190	396	(35,342)	6,646	11,795	(12,003)	(3,013)	1,195,755

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(Unaudited)

10. Investments in Associates, Continued

(c) Financial information of associates as of and for the nine-month period ended September 30, 2016 and as of and for the year ended December 31, 2015 is summarized as follows:

	Korean won (millions)								
	2016								
Company		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss) (*1)
Lotte Station Building Co., Ltd.	₩	215,933	484,843	212,796	9,515	407,939	31,019	(2,553)	21,095
Daehong Communications Co., Ltd.		231,300	439,678	223,416	53,451	333,409	13,316	(8,414)	5,673
Lotte Capital Co., Ltd. (*2)		6,612,089	-	5,652,238	-	683,725	152,806	(18,859)	98,494
Lotteria Co., Ltd.		360,531	849,752	341,881	306,219	848,853	13,960	(12,829)	(666)
FRL Korea Co., Ltd.		492,717	149,012	272,722	5,406	721,176	17,616	(27,601)	(19,308)
Lotte Asset Development Co., Ltd.		484,006	267,643	472,706	162,520	158,625	7,314	(8,332)	(7,802)
Lotte Trading Co., Ltd.		276,518	860,468	287,208	209,113	520,796	3,061	(35,687)	(32,547)
Lotte Europe Holdings B.V.		76,349	390,250	155,367	303,327	75,552	8,171	(7,462)	35,312
Coralis S.A.		35,018	369,298	114,177	332,072	21,916	(7,631)	2,050	(43,898)

(*1) Total comprehensive income stated above excludes attribution to non-controlling shareholder.
(*2) Since Lotte Capital Co., Ltd. is a financial institution, it does not present current and non-current assets or liabilities.

	Korean won (millions)								
	2015								
Company		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss) (*1)
Lotte Station Building Co., Ltd.	₩	277,785	450,438	232,636	8,689	612,651	54,390	4,519	46,704
Daehong Communications Co., Ltd.		248,298	451,607	255,311	53,698	398,229	19,994	21,227	35,664
Lotte Capital Co., Ltd. (*2)		6,361,468	-	5,484,954	-	803,553	123,178	8,562	98,713
Lotteria Co., Ltd.		223,909	843,767	343,767	152,659	1,122,763	1,456	2,626	(3,208)
FRL Korea Co., Ltd.		510,173	144,316	270,327	1,253	1,107,387	131,616	981	92,442
Lotte Asset Development Co., Ltd.		375,566	239,175	138,391	351,236	155,020	1,526	(15,452)	(28,426)
Lotte Trading Co., Ltd.		289,406	915,687	317,194	187,920	686,409	4,719	(49,905)	(38,519)
Lotte Europe Holdings B.V.		73,640	416,992	252,318	236,348	98,713	1,630	(7,421)	(113,189)
Coralis S.A.		28,279	409,687	10,298	435,619	25,560	(15,628)	(2,015)	(57,079)

(*1) Total comprehensive income stated above excludes attribution to non-controlling shareholder.
(*2) Since Lotte Capital Co., Ltd. is a financial institution, it does not present current and non-current assets or liabilities.
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10. Investments in Associates, Continued

(d) Current and accumulated unrecognized equity method losses of joint ventures are summarized as follows:

		Korean won (millions)	
		September 30, 2016	
Company		Unrecognized losses for the period	Unrecognized accumulated losses
Lotte Incheon Development Co., Ltd.	₩	-	(1,238)
Lotte Europe Holdings B.V.		-	(693)
Coralis S.A.		(3,363)	(3,362)
Total	₩	(3,363)	(5,293)

11. Joint Ventures

(a) When the Group has rights to the net assets of the joint venture entity, the Group classifies the investment in the entity as a joint venture. The details of joint ventures as of September 30, 2016 and December 31, 2015 are summarized as follows:

	September 30, 2016			
				Korean won (millions)
Company	Location	Major operaition	Percentage of ownership (%)	Balance at September 30, 2016
D-Cinema of Korea Co., Ltd.	Korea	Film equipment	50.00	₩ 1,478
STL Co., Limited	Korea	Retail	50.00	422
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	7,304
Shenyang SL Cinema Investment Management Co., Ltd.	China	Cinema	49.00	899
Shandong Luckypai TV Shopping	China	TV Home Shopping	49.00	9,165
Yunnan Maile TV Shopping Media Co., Ltd.	China	TV Home Shopping	49.00	3,561
Chongqing Yujia Lucky Pai Commercial Co., Ltd. (Formerly, Chongqing Yujia Co., Ltd. (*))	China	TV Home Shopping	-	-
International Business Center Company Limited	Vietnam	Distribution	50.00	55,439
PT. INDO LOTTE MAKMUR	Indonesia	Distribution	50.00	3,251
Total				₩ 81,519

(*) For the nine-month period ended September 30, 2016, Chongqing Yujia Co., Ltd. became a subsidiary of the Company due to Lucky Pai Ltd.'s acquisition of rest 51% of the interests.

	December 31, 2015			
				Korean won (millions)
Company	Location	Major operaition	Ownership (%)	Balance at December 31, 2015
D-Cinema of Korea Co., Ltd.	Korea	Film equipment	50.00	₩ 1,725
STL Co., Limited	Korea	Retail	50.00	606
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Shenyang SL Cinema Investment Management Co., Ltd.	China	Cinema	49.00	962
Shandong Luckypai TV Shopping	China	TV Home Shopping	49.00	10,092
Yunnan Maile TV Shopping Media Co., Ltd.	China	TV Home Shopping	49.00	4,195
Chongqing Yujia Co., Ltd.	China	TV Home Shopping	49.00	-
International Business Center Company Limited	Vietnam	Distribution	50.00	61,516
Total				₩ 79,096

September 30, 2016 and 2015

(Unaudited)

11. Joint Ventures, Continued

(b) Changes in joint ventures for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

	Korean won (millions)						
	2016						
		Adjustment to					
Company	Beginning balance	Acquisition	Dividends	Net income (loss)	Capital adjustment	Others	Balance at September 30, 2016
D-Cinema of Korea Co., Ltd.	₩ 1,725	-	-	(247)	-	-	1,478
STL Co., Limited	606	-	-	(184)	-	-	422
LOTTE JTB Co., Ltd.	-	10,000	-	(2,644)	(52)	-	7,304
Shenyang SL Cinema Investment Management Co., Ltd.	962	-	-	27	(90)	-	899
Shandong Luckypai TV Shopping	10,092	-	-	-	-	(927)	9,165
Yunnan Maile TV Shopping Media Co., Ltd.	4,195	-	(208)	(60)	-	(366)	3,561
Chongqing Yujia Co., Ltd.	-	-	-	-	-	-	-
International Business Center Company Limited	61,516	-	(4,266)	3,203	(945)	(4,068)	55,439
PT. INDO LOTTE MAKMUR	-	5,739	-	(2,089)	(142)	(258)	3,251
Total	₩ 79,096	15,739	(4,474)	(1,994)	(1,229)	(5,619)	81,519

	Korean won (millions)							
	2015							
		Adjustment to						
Company	Beginning balance	Acquisition	Business combination	Dividends	Net income (loss)	Capital adjustment	Others	Balance at December 31, 2015
D-Cinema of Korea Co., Ltd.	₩ -	-	-	-	1,725	-	-	1,725
STL Co., Limited	1,335	-	-	-	(729)	-	-	606
LOTTE JTB Co., Ltd.	-	-	4,100	-	(4,100)	-	-	-
Shenyang SL Cinema Investment Management Co., Ltd.	925	-	-	-	20	17	-	962
Shandong Luckypai TV Shopping	9,906	-	-	-	-	-	186	10,092
Yunnan Maile TV Shopping Media Co., Ltd.	4,225	-	-	(309)	200	-	79	4,195
Chongqing Yujia Co., Ltd.	-	-	-	-	-	-	-	-
International Business Center Company Limited	-	59,058	-	(4,927)	3,155	319	3,911	61,516
Total	₩ 16,391	59,058	4,100	(5,236)	271	336	4,176	79,096

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(Unaudited)

11. Joint Ventures, Continued

(c) Financial information of joint ventures as of and for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are summarized as follows:

	Korean won (millions)							
	2016							
Company	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating profit (loss)	Other comprehen-sive income	Total comprehen-sive income (loss) (*)
D-Cinema of Korea Co., Ltd. ₩	19,341	4,645	20,957	73	4,370	(386)	-	(495)
STL Co., Limited	3,595	938	3,172	518	11,320	(254)	-	(369)
LOTTE JTB Co., Ltd.	43,709	3,567	29,440	3,229	19,760	2,707	-	2,445
Shenyang SL Cinema Investment Management Co., Ltd.	923	1,354	446	-	1,022	(7)	(184)	(127)
Shandong Luckypai TV Shopping	43,186	3,725	26,643	-	-	-	-	-
Yunnan Maile TV Shopping Media Co., Ltd.	13,084	1,920	8,397	-	17,956	(971)	-	(10)
International Business Center Company Limited	12,855	49,598	30,690	1,254	16,157	8,201	(1,891)	4,516
PT. INDO LOTTE MAKMUR	7,016	1,834	1,834	-	-	(4,179)	(283)	(4,462)

(*) Total comprehensive income stated above excludes attribution to non-controlling shareholder.

	Korean won (millions)							
	2015							
Company	Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss) (*)
D-Cinema of Korea Co., Ltd. ₩	25,784	9,289	13,777	17,845	22,747	9,553	-	6,931
STL Co., Limited	3,436	1,186	2,978	434	13,724	(1,187)	-	(1,458)
LOTTE JTB Co.,Ltd	15,500	3,441	23,709	2,965	18,998	(13,551)	-	(15,980)
Shenyang SL Cinema Investment Management Co., Ltd.	884	1,586	513	-	1,454	(37)	35	75
Shandong Luckypai TV Shopping	47,014	3,583	32,252	-	24,086	(310)	-	(260)
Yunnan Maile TV Shopping Media Co., Ltd.	14,528	2,580	10,477	-	29,944	1,315	-	394
Chongqing Yujia Co., Ltd.	1,622	385	32,252	-	38,025	(12,329)	-	(11,418)
International Business Center Company Limited	13,831	54,857	32,701	1,609	23,577	12,664	(1,996)	6,384

(*) Total comprehensive income stated above excludes attribution to non-controlling shareholder.

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(Unaudited)

12. Property, Plant and Equipment

(a) Property, plant and equipment as of September 30, 2016 and December 31, 2015 are summarized as follows:

	Korean won (millions)							
	September 30, 2016				**December 31, 2015**			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 8,041,048	-	-	8,041,048	7,991,801	-	-	7,991,801
Buildings	7,404,771	(2,321,692)	-	5,083,079	7,229,462	(2,169,376)	-	5,060,086
Structures	353,471	(112,292)	-	241,180	354,383	(102,766)	-	251,617
Machinery	285,102	(154,595)	(409)	130,097	265,792	(144,192)	(417)	121,183
Vehicles	7,546	(5,482)	(50)	2,014	8,541	(5,759)	(50)	2,732
Display fixtures	741,260	(474,825)	(7,721)	258,714	727,796	(432,687)	(9,440)	285,669
Furniture and fixtures	3,938,456	(2,917,774)	(5,556)	1,015,126	3,739,494	(2,648,079)	(5,587)	1,085,828
Tools and equipment	185,399	(105,433)	(3,149)	76,818	186,219	(103,005)	(3,492)	79,722
Other PP&E	252,169	(94,103)	(22,303)	135,762	257,741	(90,634)	(23,618)	143,489
Construction-in-progress	813,079	-	-	813,079	679,473	-	-	679,473
Finance lease assets	69,885	(15,359)	(1,608)	52,918	82,957	(23,679)	(1,771)	57,507
Total	₩ 22,092,186	(6,201,555)	(40,796)	15,849,835	21,523,659	(5,720,177)	(44,375)	15,759,107

(b) Changes in property, plant and equipment for the nine-month period ended September 30, 2016 are as follows:

	Korean won (millions)							
	2016							
	Book value as of January 1, 2016	Acquisitions	Increase from business combination	Depreciation	Impairment	Disposals	Others (*)	Book value as of September 30, 2016
Land	₩ 7,991,801	65,684	-	-	-	(3,006)	(13,431)	8,041,048
Buildings	5,060,086	14,396	-	(156,185)	-	(3,818)	168,600	5,083,079
Structures	251,617	101	-	(11,082)	-	(917)	1,461	241,180
Machinery	121,183	23,421	-	(16,222)	-	(59)	1,774	130,097
Vehicles	2,732	194	-	(689)	-	(186)	(37)	2,014
Display fixtures	285,669	53,490	-	(70,323)	-	(2,135)	(7,987)	258,714
Furniture and fixtures	1,085,828	166,367	1,607	(323,806)	-	(4,865)	89,995	1,015,126
Tools and equipment	79,722	14,810	-	(15,531)	(1)	(804)	(1,378)	76,818
Other PP&E	143,489	8,448	-	(11,052)	(2)	(8)	(5,113)	135,762
Construction-in-progress	679,473	498,374	-	-	-	(7,099)	(357,669)	813,079
Finance lease assets	57,507	420	-	(8,311)	-	-	3,302	52,918
Total	₩ 15,759,107	845,705	1,607	(613,201)	(3)	(22,897)	(120,483)	15,849,835

(*) Others include reclassifications of construction-in-progress to intangible assets, reclassification to investment property, increase from foreign exchange effects.

12. Property, Plant and Equipment, Continued

(c) Changes in property, plant and equipment for the year ended December 31, 2015 are as follows:

	Korean won (millions)							
	2015							
	Book value as of January 1, 2015	Acquisitions	Increase from business combination	Depreciation	Impairment	Disposals	Others (*)	Book value as of December 31, 2015
Land	₩ 7,947,313	5,593	-	-	-	(37,346)	76,241	7,991,801
Buildings	5,222,599	24,705	-	(212,570)	-	(152,758)	178,110	5,060,086
Structures	259,056	83	-	(15,646)	-	(755)	8,879	251,617
Machinery	110,583	15,402	8,510	(20,722)	(395)	(2,176)	9,981	121,183
Vehicles	3,300	639	-	(1,018)	(50)	(126)	(13)	2,732
Display fixtures	298,815	71,327	-	(93,696)	(2,407)	(3,790)	15,420	285,669
Furniture and fixtures	1,129,226	236,385	11,050	(438,968)	(5,571)	(5,201)	158,907	1,085,828
Tools and equipment	91,951	11,021	-	(20,797)	(1,253)	(8,854)	7,654	79,722
Other PP&E	137,386	7,414	462	(15,741)	(7,994)	(22,192)	44,154	143,489
Construction-in-progress	676,973	612,254	535	-	-	(72,090)	(538,199)	679,473
Finance lease assets	23,772	252	39,634	(8,366)	-	-	2,215	57,507
Total	₩ 15,900,974	985,075	60,191	(827,524)	(17,670)	(305,288)	(36,651)	15,759,107

(*) Others include reclassifications of construction-in-progress to intangible assets, reclassification to investment property, effects of loss of control of subsidiaries and foreign exchange effects.

13. Investment Property

(a) Investment property as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)					
		September 30, 2016			**December 31, 2015**		
		Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩	375,215	-	375,215	223,494	-	223,494
Buildings		387,180	(88,824)	298,356	387,646	(90,158)	297,488
Total	₩	762,395	(88,824)	673,571	611,140	(90,158)	520,982

(b) Changes in investment property for the nine-month period ended September 30, 2016 are as follows:

		Korean won (millions)					
		2016					
		Book value as of January 1, 2016	Acquisition	Depreciation	Disposals	Others (*)	Book value as of September 30, 2016
Land	₩	223,494	-	-	-	151,721	375,215
Buildings		297,488	7,211	(9,025)	-	2,682	298,356
Total	₩	520,982	7,211	(9,025)	-	154,403	673,571

(*) Others include reclassification between property, plant and equipment and investment property and foreign exchange effects.

(c) Changes in investment property for the year ended December 31, 2015 are as follows:

		Korean won (millions)					
		2015					
		Book value as of January 1, 2015	Acquisitions	Depreciation	Disposals	Others (*)	Book value as of December 31, 2015
Land	₩	233,762	-	-	(960)	(9,308)	223,494
Buildings		303,429	1,571	(12,612)	(1,966)	7,066	297,488
Total	₩	537,191	1,571	(12,612)	(2,926)	(2,242)	520,982

(*) Others include reclassification between property, plant and equipment and investment property and foreign exchange effects.

14. Goodwill and Intangible Assets

(a) Goodwill and intangible assets as of September 30, 2016 and December 31, 2015 are summarized as follows:

	Korean won (millions)							
	September 30, 2016				**December 31, 2015**			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩ 3,595,261	-	(879,551)	2,715,710	3,571,160	-	(855,591)	2,715,569
Industrial property rights	144,951	(6,729)	-	138,222	144,015	(5,999)	-	138,016
Rights to use facility	525,260	(164,367)	(2)	360,891	524,464	(144,449)	(2)	380,013
Membership	39,966	-	(5,542)	34,424	39,674	-	(5,532)	34,142
Other intangible assets	733,889	(439,510)	(4,550)	289,829	672,647	(357,448)	(4,550)	310,649
Total	₩ 5,039,327	(610,606)	(889,645)	3,539,076	4,951,960	(507,896)	(865,675)	3,578,389

(b) Changes in goodwill and intangible assets for the nine-month period ended September 30, 2016 are as follows:

	Korean won (millions)							
	2016							
	Book value as of January 1, 2016	Acquisition	Business combination	Amortization	Impairment	Disposals	Others (*)	Book value as of September 30, 2016
Goodwill	₩ 2,715,569	-	30,736	-	(29,733)	(5)	(857)	2,715,710
Industrial property rights	138,016	1,059	-	(840)	-	-	(13)	138,222
Rights to use facility	380,013	484	-	(19,920)	-	-	314	360,891
Membership	34,142	293	-	-	(11)	-	-	34,424
Other intangible assets	310,649	54,952	5,788	(84,259)	(122)	(280)	3,101	289,829
Total	₩ 3,578,389	56,788	36,524	(105,019)	(29,866)	(285)	2,545	3,539,076

(*) Others include reclassification of construction-in-progress to intangible assets and foreign exchange effects.

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14. Goodwill and Intangible Assets, Continued

(c) Changes in goodwill and intangible assets for the year ended December 31, 2015 are as follows:

		Korean won (millions)							
		2015							
		Book value as of January 1, 2015	Acquisition	Business combination	Amortization	Impairment	Disposals	Others (*)	Book value as of December 31, 2015
Goodwill	₩	3,277,238	290	20,042	-	(616,934)	(1,323)	36,256	2,715,569
Industrial property rights		138,604	236	26	(1,108)	-	-	258	138,016
Rights to use facility		406,541	-	-	(26,544)	(2)	(14)	32	380,013
Membership		33,476	1,712	206	-	(1,087)	(165)	-	34,142
Other intangible assets		300,224	76,984	16,877	(118,402)	(573)	(39)	35,578	310,649
Total	₩	4,156,083	79,222	37,151	(146,054)	(618,596)	(1,541)	72,124	3,578,389

(*) Others include reclassification of construction-in-progress to intangible assets and foreign exchange effects.

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(Unaudited)

15. Trade and Other Payables

Trade and other payables as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Trade payables	₩	3,709,077	3,725,603
Other payables		1,681,476	1,740,304
Total	₩	5,390,553	5,465,907

16. Borrowings and Debentures

(a) Borrowings and debentures as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Current:			
Short-term borrowings	₩	1,442,017	1,789,819
Current portion of long-term borrowings		750,652	467,765
Current portion of discount on long-term borrowings		(172)	(124)
Current portion of long-term debentures		2,582,427	2,030,280
Current portion of discount on debentures		(7,475)	(1,727)
Convertible bond redemption premium		1,173	1,173
Conversion rights adjustment		(416)	(604)
Exchange rights adjustment		(538)	(19,443)
Subtotal		4,767,668	4,267,139
Non-current:			
Long-term borrowings		1,623,806	1,857,614
Discount on long-term borrowings		(772)	(1,076)
Long-term debentures		7,477,524	7,994,640
Discount on debentures		(17,706)	(34,740)
Subtotal		9,082,852	9,816,438
Total	₩	13,850,520	14,083,577

16. Borrowings and Debentures, Continued

(b) Short-term borrowings as of September 30, 2016 and December 31, 2015 are summarized as follows:

Lender	Details	Annual interest rate (%)		Korean won (millions)	
				September 30, 2016	**December 31, 2015**
Korea Development Bank and others	General	2.40~8.10	₩	823,517	846,819
Shinhan Bank and others	Financial notes	1.63~5.42		618,500	943,000
Total			₩	1,442,017	1,789,819

(c) Long-term borrowings as of September 30, 2016 and December 31, 2015 are summarized as follows:

Lender	Details	Annual interest rate (%)		Korean won (millions)	
				September 30, 2016	**December 31, 2015**
Shinhan Bank and others	Local currency	1.86~6.90	₩	1,146,917	1,006,095
Lotte Co., Ltd. (Japan) and others	Foreign currency	2.00~8.95		1,227,541	1,319,284
Subtotal				2,374,458	2,325,379
Less: Discount on borrowings				(944)	(1,200)
Total book value				2,373,514	2,324,179
Less: Current portion of long-term borrowings, net of discount				(750,480)	(467,641)
Long-term borrowings			₩	1,623,034	1,856,538

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16. Borrowings and Debentures, Continued

(d) Debentures as of September 30, 2016 and December 31, 2015 are summarized as follows:

Description	Maturity	Interest rate (%)	Korean won (millions)	
			September 30, 2016	**December 31, 2015**
59-2nd placed	Aug. 07, 2017	3.20	₩ 230,000	230,000
59-3rd placed	Aug. 07, 2019	3.33	200,000	200,000
61th placed	Mar. 21, 2018	3.05	100,000	100,000
62th placed	Jun. 21, 2018	2.80	110,000	110,000
63-1st placed	Jul. 02, 2017	2.79	200,000	200,000
63-2nd placed	Jul. 02, 2019	3.08	200,000	200,000
64-1st placed (foreign currency)	May 25, 2018	3M USD Libor+0.50	164,445	175,800
64-2nd placed (foreign currency)	May 25, 2018	3M USD Libor	109,630	117,200
64-3rd placed (foreign currency)	May 25, 2018	3M USD Libor+0.02	109,630	117,200
65-1st placed	Mar. 03, 2020	2.26	160,000	160,000
65-2nd placed	Mar. 03, 2022	2.45	240,000	240,000
66-1st placed	Jun. 23, 2020	2.40	130,000	130,000
66-2nd placed	Jun. 23, 2022	2.64	50,000	50,000
66-3rd placed	Jun. 23, 2025	2.98	140,000	140,000
67-1st placed (foreign currency)	Aug. 17, 2018	3M USD Libor+0.60	164,445	175,800
67-2nd placed (foreign currency)	Aug. 17, 2018	3M USD Libor+0.02	109,630	117,200
67-3rd placed (foreign currency)	Aug. 06, 2018	3M USD Libor+0.60	109,630	117,200
68th placed	Jul. 31, 2020	2.40	110,000	110,000
69-1st placed (foreign currency)	Jan. 29, 2019	3M USD Libor+0.55	109,630	-
69-2nd placed (foreign currency)	Jan. 29, 2019	3M USD Libor+0.02	109,630	-
70-1st placed	Apr. 04, 2019	1.77	100,000	-
70-2nd placed	Apr. 04, 2021	2.02	170,000	-
70-3rd placed	Apr. 04, 2026	2.48	70,000	-
1st placed (Global bond)	Apr. 07, 2016	-	-	468,800
2nd placed (Global bond)	May 09, 2017	3.38	438,520	468,800
USD convertible bonds	Jul. 05, 2016	-	-	22,340
JPY convertible bonds	Jul. 05, 2016	-	-	91,100
Exchangeable bonds (*)	Jan. 24, 2018	-	13,800	321,200
Korea Seven Co., Ltd. (foreign currency)	Apr. 18, 2016	-	-	35,160
Korea Seven Co., Ltd. (convertible bonds)	May 08, 2018	-	7,920	7,920
Lotte Card Co., Ltd.	Multiple	1.71~3.86	5,753,041	5,264,040
LOTTE Himart Co., Ltd.	Multiple	2.08~3.04	650,000	620,000
LOTTE Himart Co., Ltd. (Foreign currency)	Mar. 29, 2016	-	-	35,160
Subtotal			10,059,951	10,024,920

16. Borrowings and Debentures, Continued

(d) Debentures as of September 30, 2016 and December 31, 2015 are summarized as follows, continued:

Description	Maturity	Interest rate (%)	Korean won (millions)	
			September 30, 2016	**December 31, 2015**
Less: Discount on debentures			(25,181)	(36,467)
Convertible bond redemption premium			1,173	1,173
Less: Conversion rights adjustment			(416)	(604)
Less: Exchange rights adjustment			(538)	(19,443)
Total book value			10,034,989	9,969,579
Less: Current portion of debentures, net of discount			(2,575,171)	(2,009,679)
Total			₩ 7,459,818	7,959,900

16. Borrowings and Debentures, Continued

(*) The Group issued five-year bonds in 2013 which are exchangeable to shares of LOTTE Himart Co., Ltd. Due to the exercise of the put option, the Company redeemed ₩307,400 million of the issued bonds on January 25, 2016. The terms and conditions are summarized as follows:

(a) Type of bonds: Registered overseas unsecured exchangeable bonds
(b) Total face value of bonds(KRW): 13,800,000,000
(c) Bond interest rate
Coupon rate (%): -
Yield to maturity (%): -
(d) Date of bond maturity: January 24, 2018
(e) Principal redemption method:
i. Redemption on maturity date: Redemption in lump sum on the maturity date for the principal amount of bonds for which a condition for early redemption has not occurred and the exchange right has not been exercised. Early redemption: The Company has a call option, whereas bond holders have a put option.
ii. Early redemption: Lotte Shopping Co., Ltd. ("Lotte Shopping") has a call option, whereas bond holders have a put option.
(f) Put option by bondholders:
The put option can be exercised if any of the following conditions occurs:
On the third anniversary of the date of payment (January 24, 2016);
i. If any change of control occurs in the LOTTE Himart; or
ii. The issued stocks of the Company are delisted from the stock exchange or their transaction is suspended for 30 consecutive transaction days or longer.
(g) Call option by the Company:
The call option can be exercised if any of the following conditions occurs:
i. If the closing price of LOTTE Himart Co., Ltd for 20 transactional days in 30 consecutive transaction days reaches 130% or more of the exchange price between 3 years from the issuance date (January 24, 2013) and 30 business days to the maturity date;
ii. If the balance of bonds that has not been redeemed reaches less than 10% of the sum of the total issued amount (clean up call); or
iii. Any additional tax burden arises due to the amendments of the related laws and regulations.
(h) Matters relating to exchange:
i. Exchange ratio (%): 100
ii. Exchange price (KRW per share): 90,780
iii. Type of shares to be issued following exchange: Common shares of LOTTE Himart Co., Ltd.
iv. Period to apply for exchange:
Start date: March 5, 2013
End date: January 15, 2018
v. Matters for the adjustment of exchange price:
In case when a condition for re-adjustment of the exchange price has occurred, such as a stock dividend, the exchange price will be adjusted in accordance with the provisions in the relevant bonds purchase agreement.

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(Unaudited)

16. Borrowings and Debentures, Continued

(e) Maturities of long-term borrowings and debentures as of September 30, 2016 are scheduled as follows:

	Korean won (millions)		
	Borrowings	Debentures	Total
Within 1 year	₩ 750,652	2,582,427	3,333,079
1 ~ 2 years	854,221	2,848,634	3,702,855
2 ~ 3 years	631,527	2,438,890	3,070,417
3 ~ 4 years	16,558	900,000	916,558
More than 4 years	121,500	1,290,000	1,411,500
Total	₩ 2,374,458	10,059,951	12,434,409

17. Unearned Revenues

The details of unearned revenues as of September 30, 2016 and December 31, 2015 are as follows:

	Korean won (millions)	
	September 30, 2016	**December 31, 2015**
Current:		
Membership point	₩ 98,148	93,222
Other points	77,643	85,018
Unearned rental income	8,593	8,492
Others	33,539	30,842
Subtotal	217,923	217,574
Non-current:		
Unearned rental income	9,717	8,086
Total	₩ 227,640	225,660

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(Unaudited)

18. Provisions

(a) Changes in provisions for the nine-month period ended September 30, 2016 are as follows:

		Korean won (millions)			
		2016			
		Beginning balance	Increase	Utilization	Balance as of September 30, 2016
Current:					
Provision for bonus points reward program	₩	27,962	40,002	(39,163)	28,801
Provision for bonus payable		8,525	49,392	(52,384)	5,533
Provision for sales return		9,023	8,380	(9,009)	8,394
Other provisions (*1)		14,849	24,587	(11,850)	27,586
Subtotal		60,359	122,361	(112,406)	70,314
Non-current:					
Provision for unused credit card limits (*2)		27,291	5,788	-	33,078
Other provisions		5,167	1,041	(45)	6,163
Subtotal		32,458	6,829	(45)	39,241
Total	₩	92,817	129,190	(112,451)	109,555

(*1) Other provisions include provisions for litigation, provision for closing up stores and and others. During 2015, Qingdao LOTTE Mart Commercial Co., Ltd., which is a subsidiary of the Company, closed five discount stores. In connection with closing the stores, the Group estimated the expenditures that have incurred in connection with the closures and recognized other provision of ₩4,327 million as of September 30, 2016.

(*2) The Group records a provision for credit card assets at the amount that equals the product of the unused credit commitment multiplied by credit conversion factor and provision rate per BASEL discounted by the effective interest rate.

18. Provisions, Continued

(b) Changes in provisions for the year ended December 31, 2015 are as follows:

		Korean won (millions)			
		2015			
		Beginning balance	Increase	Utilization	Balance as of December 31, 2015
Current:					
Provision for bonus points reward program	₩	24,443	74,389	(70,870)	27,962
Provision for bonus payable		9,896	49,206	(50,577)	8,525
Provision for sales return		9,186	9,242	(9,405)	9,023
Other provisions (*1)		11,388	62,415	(58,954)	14,849
Subtotal		54,913	195,252	(189,806)	60,359
Non-current:					
Provision for unused credit card limits (*2)		25,546	1,745	-	27,291
Other provisions		1,257	4,352	(442)	5,167
Subtotal		26,803	6,097	(442)	32,458
Total	₩	81,716	201,349	(190,248)	92,817

(*1) Other provisions include provisions for litigation, provision for closing up stores and and others. During 2015, Qingdao LOTTE Mart Commercial Co., Ltd., which is a subsidiary of the Company, closed five discount stores. In connection with closing the stores, the Group estimated the expenditures that have incurred in connection with the closures and recognized other provision of ₩5,417 million as of December 31, 2015.

(*2) The Group records a provision for credit card assets at the amount that equals the product of the unused credit commitment multiplied by credit conversion factor and provision rate per BASEL discounted by the effective interest rate.

19. Other Non-financial Liabilities

Other non-financial liabilities as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Current:			
Withholdings	₩	98,337	86,466
Withholdings of value added tax		54,669	96,059
Advances received		1,362,993	1,055,057
Other liabilities		1,811	1,955
Subtotal		1,517,810	1,239,537
Non-current:			
Other liabilities		111,187	103,378
Total	₩	1,628,997	1,342,915

20. Employee Benefits

(a) Details of defined benefit liabilities as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Present value of defined benefit obligations	₩	711,318	640,058
Fair value of plan assets		(579,791)	(601,989)
Total	₩	131,527	38,069

(b) Details of present value of other long-term employee benefits as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Present value of other long-term employee benefits	₩	47,647	43,222

20. Employee Benefits, Continued

(c) Changes in employee benefits for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

		Korean won (millions)	
		2016	**2015**
Beginning of the period	₩	640,058	525,909
Current service costs		88,151	109,805
Past service costs		-	66
Interest costs		15,377	21,168
Remeasurements :			
- Gain from change in demographic assumptions		-	(10,581)
- Loss from change in financial assumptions		-	19,420
- Loss from experience adjustments		4,334	3,356
Payments		(39,345)	(50,054)
Business combination		-	15,596
Others		2,743	5,373
End of the period	₩	711,318	640,058

(d) Changes in fair value of plan assets for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

		Korean won (millions)	
		2016	**2015**
Beginning of the period	₩	601,989	486,054
Return on plan assets		13,074	16,425
Actuarial loss		(3,857)	(5,262)
Employer contribution		796	129,264
Payments		(32,096)	(40,088)
Business combination		-	14,188
Others		(115)	1,408
End of the period	₩	579,791	601,989

(e) The components of plan assets as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Principal guaranteed insurance policies	₩	579,614	601,797
Others		177	192
Total	₩	579,791	601,989

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20. Employee Benefits, Continued

(f) Expenses recognized for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

		Korean won (millions)			
		2016		**2015**	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Current service costs	₩	30,245	88,151	27,936	81,665
Interest costs		5,430	15,377	5,388	14,983
Return on plan assets		(4,278)	(13,074)	(4,117)	(12,385)
Contributions to defined contribution plans		552	1,658	550	1,694
Long-term employee benefits		1,095	6,651	1,062	3,848
Total	₩	33,044	98,763	30,819	89,805

21. Derivative Instruments and Hedge Accounting

(a) Details of derivatives outstanding as of September 30, 2016 are as follows:

Purpose	Type	Description
Cash flow hedge	Currency swaps	At the maturity of the swap, the principal and the interest payments for debentures and borrowings in foreign currency based on floating rates are exchanged back with the principal and fixed interest rate payments in local currency.
	Interest swaps	Pays fixed interest to receive floating rate
	Currency forward	At the maturity of the contract, purchase dollars at the fixed exchange rate
Trade	Total return swap	Exchanges beneficiary certificate of investor's total profit to constant flow of cash
	Stock options	Holds the right to buy preferred stocks or grants the right to sell preferred stocks of related companies

(b) Fair value of derivatives outstanding as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)			
		September 30, 2016		**December 31, 2015**	
Description	Type	Assets	Liabilities	Assets	Liabilities
Cash flow hedge	Currency swap	₩ 33,066	118,507	101,273	11,516
	Interest swap	-	6,107	47	4,431
	Currency forward	807	-	61,067	-
Trade	Total return swap	15,764	-	-	-
	Stock option	-	26,564	-	24,608
	Total	₩ 49,637	151,178	162,387	40,555

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(Unaudited)

21. Derivative Instruments and Hedge Accounting, Continued

(c) Changes in the fair value of derivative instruments for the nine-month period ended September 30, 2016 are as follows:

Purpose	Type	Related accounts		Korean won (millions)
Cash flow hedge	Currency swap	Loss on valuation of derivative instruments	₩	(88,870)
		Unrealized loss on valuation of derivative instruments		(12,562)
		Loss on valuation of derivatives instruments (card business)		(82,665)
	Interest swap	Loss on valuation of derivatives instruments (card business)		(9)
		Unrealized Loss on valuation of derivative instruments		(1,724)
	Currency forward	Loss on valuation of derivative instruments		(15,140)
		Unrealized Gain on valuation of derivative instruments		6,278
Trade	Total return swap	Gain on valuation of derivative instruments		15,764
	Stock option	Loss on valuation of derivative instruments		(1,955)

22. Capital Stock and Capital Surplus

(a) Pursuant to its amended Articles of Incorporation, the Company's authorized capital stock is 60,000,000 shares, which consist of common shares and preferred shares each with a par value of ₩5,000 per share. The Company is authorized to issue non-voting preferred shares of up to one-fourth of the Company's total issued and outstanding capital stock. Holders of preferred shares may, upon a resolution of the board of directors at the time of the issuance of the preferred shares, be entitled to receive dividends prior to the holders of common shares. The preferred shares will be automatically converted to common shares within ten years of issuance as determined by the Company's board of directors. However, if the holders of preferred shares do not receive the minimum dividends as prescribed, the prescribed conversion date will be extended to the time when all such minimum dividend amount is paid to the holders of preferred shares. As of September 30, 2016, the Company has not issued any preferred stock and 31,490,892 shares of common stock were issued and outstanding as of September 30, 2016.

(b) Capital surplus as of September 30, 2016 and December 31, 2015 consists of the following:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Additional paid-in capital	₩	3,786,431	3,786,431
Others		124,321	124,321
Total	₩	3,910,752	3,910,752

23. Hybrid securities classified as equity

Hybrid securities classified as equity as of September 30, 2016 and December 31, 2015 are as follows:

	Date of issue	Date of maturity	Interest rate (%)	Korean won (millions)	
				September 30, 2016	**December 31, 2015**
Hybrid security 1-1 (*)	Nov.15, 2013	Nov.15, 2043	4.723	₩ 240,000	240,000
Hybrid security 1-2 (*)	Nov.15, 2013	Nov.15, 2043	4.723	30,000	30,000
Issuance cost				(882)	(882)
Total				₩ 269,118	269,118

(*) Details of hybrid securities are as follows:

	Korean won (millions)	
	Hybrid security 1-1	Hybrid security 1-2
Issue price	240,000	30,000
Maturity date	30 years (The Company has the unconditional right to extend the maturity date)	
Interest rate	Issue date ~ November 15, 2018: 4.723%, reset every 5 years as follows: After 5 years: treasury rate (5 years) + 1.5% After 10 years: additionally +1% according to Step-up clauses	
Interest payments condition	February 15, May 15, August 15 and November 15 of each calendar year (Conditional deferral of interest payments is available to the Company)	March 30, June 30, September 30, December 30 of each calendar year (Conditional deferral of interest payments is available to the Company)
Others	The Group can call the hybrid security at year 5 and interest payment date afterwards. The hybrid security holder's preference in the event of liquidation is the same as the preference stock holders; higher than the common stock holders but lower than other creditors.	

The Group holds the right to extend the maturity dates of the hybrid securities and to defer interest payments for the hybrid securities. If interest payments for the hybrid securities are deferred, the Group cannot declare or pay dividends attributable to common stock. Since the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the hybrid securities have been classified as equity instruments.

24. Capital Adjustments

As of January 1, 2013, the Company merged with Lotte Midopa Co., Ltd. In connection with the merger, the Company issued 1,933,873 shares of common stocks in exchange for 51,475,843 shares of Lotte Midopa Co., Ltd. which the Company had held and 228 shares of treasury stocks of Lotte Midopa Co., Ltd. The Company recognized the acquisition cost of the treasury stocks as zero ("0"). In addition, the Company acquired 4,815 shares of fractional shares for ₩1,806 million in 2013 and, as a result, the Company holds 1,938,688 shares of treasury stocks as of September 30, 2016.

25. Retained Earnings

Details of retained earnings as of September 30, 2016 and December 31, 2015 are as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Legal reserve	₩	195,917	190,006
Voluntary reserve		10,810,052	11,190,052
Unappropriated retained earnings		980,336	513,605
Total	₩	11,986,305	11,893,663

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(Unaudited)

26. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

	Korean won (millions)			
	2016			
	Beginning balance	Changes for the period	Tax effects for the period	Balance as of September 30, 2015
Net change in unrealized fair value of available for-sale financial assets	₩ 90,698	(16,380)	5,071	79,389
Exchange rate differences on translating foreign operations	(32,385)	3,947	319	(28,118)
Effective portion of unrealized changes in fair values of cash flow hedges	(12,264)	(8,102)	198	(20,168)
Change in equity of equity method investments	49,453	(41,936)	9,140	16,656
Total	₩ 95,502	(62,471)	14,728	47,759

	Korean won (millions)			
	2015			
	Beginning balance	Changes for the year	Tax effects for the year	Balance as of December 31, 2015
Net change in unrealized fair value of available for-sale financial assets	₩ 145,678	(76,939)	21,959	90,698
Exchange rate differences on translating foreign operations	(70,788)	38,458	(55)	(32,385)
Effective portion of unrealized changes in fair values of cash flow hedges	(10,950)	(3,050)	1,736	(12,264)
Change in equity of equity method investments	42,896	12,131	(5,574)	49,453
Total	₩ 106,836	(29,400)	18,066	95,502

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(Unaudited)

27. Earnings per Share

(a) Basic earnings per share

(i) Basic earnings per share for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

		Korean won (millions, except per share amount)			
		2016		**2015**	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Profit for the period attributable to the owners of the Company	₩	47,778,001	170,556,271	1,768,770	172,526,867
Interests of hybrid securities, net of tax		(3,183,173)	(9,545,636)	(3,152,117)	(9,510,699)
Weighted average number of ordinary shares outstanding		29,552,204	29,552,204	29,552,204	29,552,204
Basic earnings per share	₩	1,509	5,448	(47)	5,516

(ii) Weighted average number of ordinary shares

	Number of shares			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Issued ordinary shares at January 1	31,490,892	31,490,892	31,490,892	31,490,892
Effect of treasury shares	(1,938,688)	(1,938,688)	(1,938,688)	(1,938,688)
Weighted average number of ordinary shares	29,552,204	29,552,204	29,552,204	29,552,204

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(Unaudited)

27. Earnings per Share, Continued

(b) Diluted earnings per share

(i) Diluted earnings per share for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

	Korean won (millions, except per share amount)			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Profit for the period attributable to the owners of the Company (basic)	₩ 47,778,001	170,556,271	1,768,770	172,526,867
Interests of hybrid securities, net of tax	(3,183,173)	(9,545,636)	(3,152,117)	(9,510,699)
Effect of convertible bonds, net of tax (*)	(152,976)	(282,894)	(104,160)	(67,908)
Effect of exchange of exchangeable bond, net of tax (*)	(173,217)	-	(3,284,041)	(6,666,698)
Diluted profit attributable to ordinary shareholders	44,268,635	160,727,741	(4,771,548)	156,281,562
Diluted weighted average number of ordinary shares	29,552,204	29,700,509	29,552,204	29,552,204
Diluted earnings per share (in won)	₩ 1,498	5,412	(161)	5,288

(*) For the nine-month period ended September 30, 2016, the shares related to USD convertible bonds, JPY convertible bonds and exchangeable bonds were excluded from diluted earnings per share calculation as their effect would have been anti-dilutive. And for the nine-month period ended September 30, 2015 the shares related to USD convertible bonds and JPY convertible bonds were excluded from diluted earnings per share calculation as their effect would have been anti-dilutive.

(ii) Diluted weighted average number of ordinary shares

	Number of shares			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Basic weighted average number of ordinary shares	29,552,204	29,552,204	29,552,204	29,552,204
Effect of conversion of convertible bonds	-	148,305	-	-
Diluted weighted average number of ordinary shares	29,552,204	29,700,509	29,552,204	29,552,204

September 30, 2016 and 2015

(Unaudited)

28. Sales and Cost of Sales

(a) Details of sales for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

	Korean won (millions)			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Sales of merchandise	₩ 6,224,305	18,147,179	6,188,061	17,905,821
Sales of products	10,866	37,948	9,948	34,325
Other operating revenue	915,706	2,635,782	880,961	2,556,143
Revenue of card business	424,188	1,163,422	404,987	1,151,017
Total	₩ 7,575,065	21,984,331	7,483,957	21,647,306

(b) Details of cost of sales for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

	Korean won (millions)			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Cost of merchandise sold	₩ 4,843,904	14,136,085	4,862,265	13,971,813
Cost of products sold	6,785	22,553	7,003	22,164
Cost of other operating revenue	119,398	313,865	131,115	334,800
Cost of card business	274,851	680,348	243,918	650,832
Total	₩ 5,244,938	15,152,851	5,244,301	14,979,609

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(Unaudited)

29. Selling, general and administrative expenses:

Details of selling, general and administrative expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

	Korean won (millions)			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries	₩ 400,262	1,127,813	361,510	1,048,018
Retirement and termination benefits	31,836	91,791	29,658	85,618
Other employee benefits	1,087	6,627	1,056	3,840
Employee welfare	86,689	244,891	79,764	234,693
Education and training	6,641	16,915	5,545	15,107
Travel	9,017	28,037	9,270	27,905
Maintenance fee for car	1,224	3,220	1,060	3,155
Insurance premium	5,085	15,790	4,843	14,371
Taxes and dues	22,418	170,353	18,829	165,829
Entertainment expenses	3,409	9,640	3,577	9,247
Supplies and stationery	24,472	65,997	24,400	61,914
Communications	10,393	32,290	11,063	33,006
Utilities	121,036	299,008	117,622	295,612
Maintenance	21,214	66,451	22,149	66,514
Rent	290,984	871,828	283,302	817,292
Depreciation	202,089	603,125	204,914	613,878
Amortization of intangible assets	24,420	72,302	21,885	62,821
Commissions and fees	323,452	941,632	299,625	898,599
Service commission expenses	245,921	727,622	230,501	664,308
Advertising	79,898	236,142	86,227	254,955
Sales promotion expenses	163,020	475,468	157,323	434,321
Decoration	4,728	11,578	2,928	10,392
Bad debt expenses (Reversal of allowance for bad depts.)	(223)	(31,802)	190	465
Transportation	71,436	178,717	62,474	164,874
Provisions	981	1,090	783	4,526
Others	3,078	10,234	3,823	11,703
Total	₩ 2,154,567	6,276,759	2,044,321	6,002,963

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(Unaudited)

30. Other income and expenses

Details of other income and expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

		Korean won (millions)			
		2016		**2015**	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Other income:					
Gain on foreign currency transactions	₩	633	1,813	526	1,428
Gain on foreign currency translation		338	72	348	525
Gain on disposal of investment property		-	-	-	699
Gain on disposal of property, plant and equipment		727	2,502	799	1,922
Reversal of impairment losses on property, plant and equipment		-	-	-	-
Gain on disposal of intangible assets		-	56	-	-
Reversal of impairment losses on other non-current assets		5	9	4	5
Reversal of impairment losses on intangible assets		708	-	30	89
Others (*1)		10,744	138,351	21,548	46,410
Total	₩	13,155	142,803	23,255	51,078
Other expense:					
Loss on foreign currency transactions	₩	709	1,638	2,746	3,170
Loss on foreign currency translation		-	560	32	57
Loss on disposal of property, plant and equipment		1,641	5,454	7,811	14,457
Impairment loss of property, plant and equipment		-	3	-	-
Loss on disposal of intangible assets		3	4	-	2
Impairment loss of intangible assets		-	29,866	107	136
Loss on disposal of other non-current assets		450	493	37	38
Impariment loss of disposal of other non-current assets		-	-	-	437
Donation		8,958	18,373	4,167	14,619
Other bad debt expenses (Reversal of allowance for bad depts)		2,146	4,242	(126)	935
Taxes and dues		247	400	1,615	5,531
Others (*2)		10,738	110,087	27,582	80,241
Total	₩	24,892	171,120	43,971	119,623

(*1) Others primarily relates to income from unused gift certificates after expiration date and penalty from suppliers on delayed delivery of merchandise.
(*2) Others primarily relates to non-deductible value added tax.

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(Unaudited)

31. Nature of Expenses

Details of nature of expenses for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

	Korean won (millions)			
	2016		**2015**	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Purchase of inventories	₩ 4,998,535	14,288,454	5,048,073	14,088,264
Changes in inventories	(165,788)	(199,538)	(212,325)	(147,645)
Employee benefits expense	521,915	1,476,962	474,167	1,378,700
Rent	293,591	879,453	285,745	824,613
Depreciation and amortization	245,230	727,245	259,144	739,802
Sales commissions	196,760	581,223	223,756	617,749
Sales promotion expenses	163,028	477,005	157,323	434,324
Commissions	250,718	730,086	195,957	608,602
Service commission expenses	272,427	784,948	246,744	704,462
Advertising	89,463	254,067	96,522	276,640
Utilities	121,895	301,601	118,424	297,979
Taxes and dues	22,522	176,732	19,285	166,959
Others	389,209	951,372	375,807	992,123
Total	₩ 7,399,505	21,429,610	7,288,622	20,982,572

32. Finance Income and Finance Costs

(a) Details of finance income and finance costs for the three-month and nine-month periods ended September 30, 2016 and 2015 are as follows:

		Korean won (millions)			
		2016		**2015**	
		Three-month period	Nine-month period	Three-month period	Nine-month period
Finance income:					
Interest income	₩	18,096	62,056	24,001	67,738
Dividend income		-	6,996	105	8,323
Gain on foreign currency transactions		128	12,386	192	679
Gain on foreign currency translation		92,036	122,825	9,335	11,375
Gain on valuation of financial liabilities at fair value through profit or loss		15,713	-	-	-
Gain on disposal of available-for-sale financial assets		8	8	152	152
Gain on valuation of derivative instruments held for the purpose of hedging		-	-	111,512	145,572
Gain on valuation of derivative instruments held for the purpose of trading		-	15,764	612	612
Gain on transaction of derivative instruments held for the purpose of hedging		-	-	50	109
Gain on disposal of investments in subsidiaries, associates and joint ventures		-	5,556	812	12,592
Total	₩	125,981	225,591	146,771	247,152
Finance costs:					
Interest expense	₩	55,977	177,011	67,565	190,076
Loss on foreign currency transactions		455	601	15,319	16,294
Loss on foreign currency translation		-	29,874	128,748	168,207
Loss on valuation of financial liabilities at fair value through profit or loss		-	-	9,041	10,585
Impairment loss on available-for-sale financial assets		-	43 -	- -	-
Loss on disposal of available-for-sale financial assets		-	420	11	803
Loss on valuation of derivative instruments held for the purpose of hedging		104,040	104,010	-	-
Loss on valuation of derivative instruments held for the purpose of trading		2,368	1,955	688	12,210
Loss on transaction of derivative instruments held for the purpose of hedging		1,935	19,996	-	239
Loss on redemption of debentures		834	20,060	-	-
Loss on disposal of investments in subsidiaries, associates and joint ventures		85	59	-	13
Total	₩	165,694	354,029	221,372	398,427

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33. Income Taxes

Income tax expense was recognized as current tax expense adjusted to current adjustments for prior periods, deferred tax income/expenses by origination and reversal of deferred assets/liabilities and temporary differences, and income tax recognized in other comprehensive income. The Group's effective tax rate for the nine-month period ended September 30, 2016 was 45.8% (for the nine-month period ended September 30, 2015: 47.5%).

34. Consolidated statements of cash flows

As of September 30, 2016 and December 31, 2015, the details of cash and cash equivalents are as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Cash	₩	37,837	37,243
Deposits		652,134	587,247
Other cash equivalents		1,331,240	1,126,778
Total	₩	2,021,211	1,751,268

35. Operating Segments and Geographic Information

(a) The Group's reportable segments consist of department stores (retail), discount stores (retail), finance business, consumer electronics retail, convenience stores and others (television home shopping, supermarkets, movie theaters, clothing retail) as follows:

	Department stores	Discount stores	Finance business	Consumer electronics retail	Convenience stores	Others
Main business	Retail stores for middle and higher-end merchandise	Retail and whole-sale stores for middle and discounted price merchandise	Credit financial services	Retail store for home appliance	General retail stores for mainly beverages and groceries	Others
Major products or services	Sales of merchandise and leasing	Sales of merchandise and leasing	Credit card and loan services	Sales of home appliance	Sales of merchandise and others	Sales of merchandise, leasing and others

(b) Information about reportable segments as of and for the nine-month periods ended September 30, 2016 and 2015 are as follows:

		Korean won (millions)						
		2016						
		Department stores	Discount stores	Finance business	Consumer electronics retail	Convenience stores	Others	Total
External sales	₩	5,666,689	6,256,086	1,241,012	2,955,951	2,755,327	3,109,266	21,984,331
Inter-segment sales		22,972	35,542	143,178	3,884	12,173	171,955	389,704
Total sales	₩	5,689,661	6,291,628	1,384,190	2,959,835	2,767,500	3,281,221	22,374,035

		Korean won (millions)						
		2015						
		Department stores	Discount stores	Finance business	Consumer electronics retail	Convenience stores	Others	Total
External sales	₩	5,650,658	6,315,127	1,214,300	2,887,217	2,497,904	3,082,100	21,647,306
Inter-segment sales		15,378	32,683	145,222	3,153	14,240	167,146	377,822
Total sales	₩	5,666,036	6,347,810	1,359,522	2,890,370	2,512,144	3,249,246	22,025,128

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35. Operating Segments and Geographic Information, Continued

(c) Reconciliations of total segment sales and profit to their respective consolidated financial statements line items for the nine-month periods ended September 30, 2016 and 2015 are summarized as follows:

	Korean won (millions)			
	2016			
	Sales	Operating profit for the period	Depreciation and amortization	Profit for the period
Department stores	₩ 5,689,661	296,913	271,962	274,126
Discount stores	6,291,628	(87,286)	174,330	(249,831)
Finance business	1,384,190	114,826	37,829	86,249
Consumer electronics retail	2,959,835	135,221	39,474	93,559
Convenience stores	2,767,500	43,394	47,689	38,439
Others	3,281,221	65,685	145,142	(82,607)
Segment totals	22,374,035	568,753	716,426	159,935
Elimination of inter-segment amounts	(389,704)	(14,032)	10,819	66,611
Consolidated amounts	₩ 21,984,331	554,721	727,245	226,546

	Korean won (millions)			
	2015			
	Sales	Operating profit for the period	Depreciation and amortization	Profit for the period
Department stores	₩ 5,666,036	282,145	274,653	238,833
Discount stores	6,347,810	(30,632)	173,650	(214,701)
Finance business	1,359,522	143,926	33,375	107,732
Consumer electronics retail	2,890,370	133,728	39,352	92,594
Convenience stores	2,512,144	47,663	49,691	16,500
Others	3,249,246	99,728	158,288	49,629
Segment totals	22,025,128	676,558	729,009	290,587
Elimination of inter-segment amounts	(377,822)	(11,824)	10,793	(53,750)
Consolidated amounts	₩ 21,647,306	664,734	739,802	236,837

35. Operating Segments and Geographic Information, Continued

(d) Reconciliation of segment assets and liabilities to their respective consolidated financial statement line items as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
		September 30, 2016	
		Assets	Liabilities
Department stores	₩	16,356,675	9,489,493
Discount stores		9,672,960	2,711,692
Finance business		9,960,805	7,839,068
Consumer electronics retail		2,947,310	1,082,602
Convenience stores		1,252,434	828,164
Others		7,117,870	2,726,058
Segment totals		47,308,054	24,677,077
Elimination of inter-segment assets and liabilities		(1,030,085)	(1,030,084)
Adjustments of business combinations		829,329	195,844
Investments in subsidiaries and associates		(6,115,163)	-
Subtotal		(6,315,919)	(834,240)
After consolidation adjustments	₩	40,992,135	23,842,837

		Korean won (millions)	
		December 31, 2015	
		Assets	Liabilities
Department stores	₩	16,704,343	9,886,930
Discount stores		9,742,640	2,678,163
Finance business		9,402,558	7,365,241
Consumer electronics retail		2,905,213	1,122,386
Convenience stores		1,149,742	762,710
Others		6,813,434	2,668,690
Segment totals		46,717,930	24,484,120
Elimination of inter-segment assets and liabilities		(1,041,480)	(1,041,480)
Adjustments of business combinations		851,662	162,884
Investments in subsidiaries and associates		(5,834,746)	-
Subtotal		(6,024,564)	(878,596)
After consolidation adjustments	₩	40,693,366	23,605,524

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(Unaudited)

35. Operating Segments and Geographic Information, Continued

(e) Sales by geographical areas for nine-month periods ended September 30, 2016 and 2015 are summarized as follows:

Region		Korean won (millions)	
		2016	**2015**
Domestic	₩	20,275,555	19,880,124
China		982,751	1,145,355
Vietnam		252,924	204,069
Indonesia		862,805	795,580
Total	₩	22,374,035	22,025,128

In presenting information on the basis of geographical areas, geographic sales is based on the physical location of customers.

36. Contingent Liabilities and Financial Commitments

(a) As of September 30, 2016, the Group has the following credit facility commitments with financial institutions:

		Korean won (millions), Foreign currency (thousands)	
		Credit line	Amount used under credit facility
General loan	KRW	1,788,217	500,017
	CNY	5,108,000	3,635,025
	VND	3,039,862,651	3,039,862,651
	USD	733,548	733,448
	IDR	2,320,000,000	2,185,000,000
	HKD	8,000	8,000
Discount of bill	KRW	1,443,500	1,133,500
Buyer's credit	KRW	631,000	78,407
Bank overdraft	KRW	246,000	-
	CNY	300,000	199,541
Guarantee	KRW	9,973	3,854
Letter of credit	USD	39,700	5,505
Others	KRW	67,000	61

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

Company	Contractor	Description of contract
Lotte Shopping Co., Ltd.	Lotte Station Building Co., Ltd.	Providing management services
Lotte Card Co., Ltd.	American Express Company, Master Card International, Visa Internationa, JCB Internationall and UNIONPAY INTERNATIONAL	Commissions based on credit card transaction amount
Woori Home Shopping & Television Co., Ltd.	Lotte Capital Co., Ltd.	Contract of operating leases
	LOTTE rental Co., ltd.	Contract of operating leases
	Shinhan card	Issuing credit cards
	Lotte Card Co., Ltd.	
	BC CARD CO., LTD.	
	LOTTE LOGISTICS CORP.	Logistics services
	HYUNDAI LOGISTICS CO.,LTD.	
	CJ Korea Express Corporation	
	HANJIN TRANSPORTATION CO., LTD.	
	Cable TV operators	Providing broadcast programs
Korea Seven Co., Ltd.	7-Eleven, Inc.	Using the registered trademark and operating know-how
NCF Co., Ltd.	Nice Claup Co., Ltd.	Royalty payments based on net revenue of selling and manufacturing amounts

36. Contingent Liabilities and Financial Commitments, Continued

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

Company	Contractor	Description of contract
Buy the way Inc.	7-Eleven, Inc.	Using the registered trademark and operating know-how
	KTOTO.CO.,LTD.	Renewal guarantees of payments for goods every year

(c) As of September 30, 2016, the Group is the plaintiff in various lawsuits with damage claims totaling ₩91,836 million and the Group is the defendant in various lawsuits with damage claims totaling ₩111,022 million, among which ₩22,904 million is related to a claim against Lotte Card Co., Ltd., a subsidiary of the Company, related to personal data leaks. The Group cannot reliably estimate the outcome and financial impacts from lawsuit for the case of, the first trial of which is ongoing, related to personal data leaks, However, the Group recognized other provision of ₩4,093 million in regard to the ongoing court appeals for the case of the first trials of which are lost or similar cases. The management believes that the ultimate resolutions of other legal action except 76 lawsuits recognized as an other provision of ₩10,453 million will not have a material effect of the financial position or results of operations of the Group.

(d) Lotte Card Co., Ltd. has sold certain card assets to SPCs pursuant to the Assets-Backed Securitization Law of the Republic of Korea and assumed the liability to pay the outstanding card assets when the transferred card assets cannot meet the prescribed qualifications in the contract or fall into arrears in accordance with the terms of assets transfer agreement and other contracts. Accordingly, as prescribed in the assets transfer agreement and other contracts, the SPCs have obligations of early redemption of the asset-backed securities when average portfolio earnings ratio during three consecutive settlement periods is lower than the average primary cost ratio or when outstanding balance of adjusted securitized assets is less than the minimum principal balance as of closing date of each settlement period and others.

(e) The Company has the right to purchase 5.1% of the Hyundai Logistics Co., Ltd. shares held by IGIS I Corporation and in the event the Company does not exercise the call option, IGIS I Corporation has the right to require the Company to purchase 5.1% of Hyundai Logistics Co., Ltd. shares held by IGIS I Corporation. In connection with IGIS I Corporation's borrowings, all IGIS I Corporation shares (₩4,572 million of book value) held by the Company have been in pledge in Mizuho Corporate Bank.

(f) The Company provides joint guarantee for debentures ₩16,000 million issued by Hi-Lotte Movie Co., Ltd.

(g) The Group disposed of land and buildings to structured entities and the Group has been leasing the assets. The details are as follows:

(i) The Company disposed of land and buildings of 3 stores including Lotte mart Jeju store to KTB Confidence Private Real Estate Investment Trust for ₩220 billion in 2008 and the Company has been leasing the assets. The Company has the options to purchase the assets at a fair value at the end of the lease.

(ii) The Company disposed of land and buildings of 6 stores including Lotte department store Bundang store to Lotte Retail Real Estate Investment Trust for ₩595 billion in 2010 and 2011, and the Company has been leasing the assets. The Company has the options to purchase the assets at a fair value at the end of the lease.

(iii) The Company has been leasing the building of Lotte outlet esiapolis store from KB Star Retail Private Real Estate Investment Trust since 2013 and the Company has the preferential right of negotiation to purchase the building.

36. Contingent Liabilities and Financial Commitments, Continued

(g) The Group disposed of land and buildings to stuructured entities and the Group has been leasing the assets. The details are as follows:, continued

(iv) In 2014, the Company disposed of land and buildings of 2 Lotte department stores including Ilsan store and 5 Lotte mart stores including Bupyeong store to KTB Confidence Private Real Estate Investment Trust for ₩602 billion and the Company has been leasing the assets. The Company disposed of land and buildings of 2 Lotte department stores including Dongnae store and 3 Lotte mart stores including Sungjung store to Capstone Private Real Estate Investment Trust for ₩500 billion and the Company has been leasing the assets. The Company has the preferential right of negotiation to purchase the assets at the end of the lease.

(v) In 2015, the Company disposed of land and buildings of Lotte outlets store Gwangmyeong to KTB Confidence Private Real Estate Investment Trust for ₩147 billion and the Company has been leasing the assets. And the Company disposed of land and buildings of Lotte mart Yangdeok to KB Lotte Master Lease Private Real Estate Investment Trust for ₩55 billion and the Company has been leasing the assets. The Company has the preferential right of negotiation to purchase the assets at the end of the lease.

The Group does not consolidate these structured entities.

37. Inter-company Transactions and Balances with Consolidated Companies

(a) The Group has provided guarantees for consolidated companies as of September 30, 2016 as follows:

Consolidated company	Provided by	Guarantee recipient	2016 Type of borrowings	2016 Guaranteed amount (thousands)
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Lotte Shopping Co., Ltd.	Korea Exchange Bank	Working capital	USD 140,000
		Shinhan Bank		USD 50,000
Lotte Shopping Holdings (Hong Kong) Co., Limited	Lotte Shopping Co., Ltd.	Standard Chartered Bank Korea Limited	Working capital	USD 38,136
		BNP Paribas		USD 38,135
		Citibank N.A., Hong Kong Branch		USD 38,135
		SMBC		USD 38,135
		ING		USD120,214
		Shinhan Bank		HKD 8,000
		HSBC		USD 95,298
		BNP Paribas		USD 104,818
PT. LOTTE Shopping Avenue Indonesia	Lotte Shopping Co., Ltd.	DBS	Working capital	USD 20,000
		JP Morgan		IDR 200,000,000
Lotte Business Management (Tianjin) Co., Ltd.	Lotte Shopping Co., Ltd.	BNP Paribas	Working capital	CNY 150,000
LOTTE DEPARTMENT STORE (TIANJIN) CO., LTD.	Lotte Shopping Co., Ltd.	KEB Hana Bank	Working capital	CNY 170,000
Lotte Department Store (Shenyang) Co., Ltd.	Lotte Shopping Co., Ltd.	BNP Paribas	Working capital	CNY 50,000
Jiangsu Times Supermarket Co., Ltd	Lotte Shopping Co., Ltd.	DBS	Working capital	CNY 330,000
Lucky Pai (Shanghai) Trading Co., Ltd.	Lotte Shopping Co., Ltd. and Woori Home Shopping & Television Co., Ltd.	INDUSTRIAL BANK OF KOREA	Working capital	CNY 46,000
		Shinhan Bank		CNY 14,000
		KEB Hana Bank		CNY 57,000
				CNY 58,000
				CNY 39,900
				CNY 20,100
		Woori Bank		CNY 15,000

37. Inter-company Transactions and Balances with Consolidated Companies, Continued

(b) In 2015, the Company entered into an agreement to provide financial support for Suwon Landmark the Second Co., Ltd. in default of the principal and interest on the Asset Backed Commercial Paper ("ABCP", ₩250,000 million of par value in maturing in 36 months) issued by Suwon Landmark the Second Co., Ltd. on May 28, 2015, which was collateralized with the assets of LOTTE Suwon Station Shopping Town CO., LTD. And In 2016, the Company entered into an agreement to provide financial support for KS the First Co., Ltd. in default of the principal and interest on the Asset Backed Commercial Paper ("ABCP", ₩266,000 million of par value in maturing in 27 months) issued by KS the First Co., Ltd. on August 30, 2016, which was collateralized with the assets of Lotte Ulsan Development Co., Ltd.

(c) The Company has provided guarantees for Lotte Suwon Station Shopping Town Co., Ltd. to pay the rent during the term of the lease (20 years) from the beginning of the lease contract in 2014.

38. Transactions and Balances with Related Companies

(a) Details of control and subsidiary relationships with the Company as of September 30, 2016 are as follows:

Related company	Ownership (%)	Control relationship (*)
Hotel Lotte Co., Ltd.	8.83	Affiliate of Lotte Group
Korea Fuji Film Co., Ltd.	7.86	Affiliate of Lotte Group
Lotte Confectionery Co., Ltd.	7.86	Affiliate of Lotte Group
LOTTE DATA COMMUNICATION COMPANY	4.81	Affiliate of Lotte Group
Lotte Chilsung Beverage Co., Ltd.	3.93	Affiliate of Lotte Group
Lotte Engineering & Construction Co., Ltd.	0.95	Affiliate of Lotte Group
Hotel Lotte Pusan Co., Ltd.	0.78	Affiliate of Lotte Group

(*) Lotte Group represents a group of entities as defined and restricted by the Monopoly Regulation and Fair Trade Act in Korea.

38. Transactions and Balances with Related Companies, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the nine-month periods ended September 30, 2016 and 2015 are summarized as follows:

	Korean won (millions)				
	2016				
Related company	Sales	Purchase of inventories	Purchase of fixed asset	Other revenue	Other expenses
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 70,569	44	3	219	88,549
Lotte Confectionery Co., Ltd.	11,771	123,783	18	-	13,498
Lotte Chilsung Beverage Co., Ltd.	12,651	85,901	-	49	538
Lotte Engineering & Construction Co., Ltd.	4,733	-	197,668	1	245
Hotel Lotte Pusan Co., Ltd.	7,237	-	-	-	15,199
LOTTE DATA COMMUNICATION COMPANY	2,242	984	63,229	166	147,591
Korea Fuji Film Co., Ltd.	999	691	-	-	40
Subtotal	110,202	211,403	260,918	435	265,660
Associates:					
DAEHONG COMMUNICATIONS INC.	29,303	55	582	-	63,140
Lotte Station Building Co., Ltd.	16,747	-	21	1,725	3,610
Lotteria Co., Ltd.	15,454	4,804	75	84	859
Lotte Trading Co., Ltd.	4,179	148,939	-	-	100
Others	67,138	51,758	6,422	67	55,941
Subtotal	132,821	205,556	7,100	1,876	123,650
Others:					
LOTTE FOOD CO., LTD.	17,503	194,224	-	-	6,673
Lotte Aluminum Co., Ltd.	2,463	16,483	26,518	-	24,162
Lotte Logistics Co., Ltd.	38,630	1,744,685	2,389	-	197,557
Others	44,935	32,524	16,799	379	164,268
Subtotal	103,531	1,987,916	45,706	379	392,660
Total	₩ 346,554	2,404,875	313,724	2,690	781,970

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38. Transactions and Balances with Related Companies, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the nine-month periods ended September 30, 2016 and 2015 are summarized as follows:, continued

	Korean won (millions)				
	2015				
Related company	Sales	Purchase of inventories	Purchase of fixed asset	Other revenue	Other expenses
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 55,725	84	3,410	1,156	81,732
Lotte Confectionery Co., Ltd.	10,797	119,719	-	53	13,136
Lotte Chilsung Beverage Co., Ltd.	9,250	85,216	-	45	485
Lotte Engineering & Construction Co., Ltd.	4,950	-	235,442	-	116
Hotel Lotte Pusan Co., Ltd.	7,061	18	-	-	14,424
LOTTE DATA COMMUNICATION COMPANY	17,509	946	97,954	50	128,920
Korea Fuji Film Co., Ltd.	1,045	419	-	-	26
Subtotal	106,337	206,402	336,806	1,304	238,839
Associates:					
DAEHONG COMMUNICATIONS INC.	23,594	-	814	37	66,884
Lotte Station Building Co., Ltd.	19,885	38	16	1,474	4,225
Lotteria Co., Ltd.	16,885	4,441	55	51	1,221
Lotte Trading Co., Ltd.	3,841	172,588	-	615	158
Others	67,733	40,888	6,208	1,340	73,753
Subtotal	131,938	217,955	7,093	3,517	146,241
Others:					
LOTTE FOOD CO., LTD.	14,057	148,606	-	12	5,728
Lotte Aluminum Co., Ltd.	2,286	13,416	26,392	1	25,926
Lotte Logistics Co., Ltd.	25,555	1,557,535	1,571	9,796	196,340
Others	47,400	25,331	11,360	951	148,569
Subtotal	89,298	1,744,888	39,323	10,760	376,563
Total	₩ 327,573	2,169,245	383,222	15,581	761,643

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(Unaudited)

38. Transactions and Balances with Related Companies, Continued

(c) Significant financial transactions with related companies for the nine-month periods ended September 30, 2016 and 2015 are summarized as follows:

		Korean won (millions)			
		2016			
Related company		Borrowings	Repayment	Capital increase	Capital decrease
Associates:					
LOTTE Accelerator Corporation	₩	-	-	5,000	-
BUSAN-LOTTE CREATIVE FILM FUND		-	-	6,000	-
Coralis S.A.		-	-	4,474	-
LOTTE Giants Co., Ltd.		-	-	9,000	-
Stonebridge Innovation Quarter Fund		-	-	3,000	-
Capital One Middle-Low Budget Cinema Fund		-	-	-	(1,350)
Lotte Capital Co., Ltd.		15,000	(16,081)	-	-
Others		-	-	2,634	(1,738)
Subtotal		15,000	(16,081)	30,108	(3,088)
Joint ventures:					
LOTTE JTB Co., Ltd.		-	-	10,000	-
PT. INDO LOTTE MAKMUR		-	-	5,739	-
Subtotal		-	-	15,739	-
Others:					
LOTTE rental Co., ltd.		3,806	(174)	-	-
Lotte Capital Lease & Finance (China) Co., Ltd. and others		10,129	(2,963)	-	-
Subtotal		13,935	(3,137)	-	-
Total	₩	28,935	(19,218)	45,847	(3,088)

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(Unaudited)

38. Transactions and Balances with Related Companies, Continued

(c) Significant financial transactions with related companies for the nine-month periods ended September 30, 2016 and 2015 are summarized as follows:

		Korean won (millions)			
		2015			
Related company		Borrowings	Repayment	Capital increase	Capital decrease
Associates:					
Lotte Europe Holdings B.V	₩	-	-	10,855	-
Lotte Asset Development Co., Ltd.		-	-	19,571	-
Shandong Longzhile Cinema Co., Ltd.		-	-	437	-
Hemisphere Film Investors II LLC		-	-	-	(5,714)
Others		10,000	(5,000)	3,450	(636)
Subtotal		10,000	(5,000)	34,313	(6,350)
Others:					
Lotte Capital Lease & Finance (China) Co., Ltd. and others		21,039	(16,046)	-	-
Total	₩	31,039	(21,046)	34,313	(6,350)

September 30, 2016 and 2015

(Unaudited)

38. Transactions and Balances with Related Companies, Continued

(d) Account balances with related companies as of September 30, 2016 and December 31, 2015 are summarized as follows:

	Korean won (millions)				
	2016				
	Receivables		Payables		
Related company	Trade receivables	Other receivables	Trade payables	Borrowings	Other payables
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 3,243	85,771	-	-	26,769
Lotte Confectionery Co., Ltd.	298	11,904	27,423	-	3,551
Lotte Chilsung Beverage Co., Ltd.	1,011	47,436	8,469	-	6,405
Lotte Engineering & Construction Co., Ltd.	-	38,818	-	-	96,722
Hotel Lotte Pusan Co., Ltd.	87	10,777	-	-	4,554
LOTTE DATA COMMUNICATION COMPANY	42	111,943	473	-	48,830
Korea Fuji Film Co., Ltd.	30	105	159	-	1,449
Subtotal	4,711	306,754	36,524	-	188,280
Associates:					
DAEHONG COMMUNICATIONS INC.	4,078	733	7	-	34,695
Lotte Station Building Co., Ltd.	6,063	14,048	-	-	12,905
Lotteria Co., Ltd.	231	3,941	350	-	9,550
Lotte Trading Co., Ltd.	159	1,681	13,282	-	120
Others	3,164	7,782	15,014	15,000	28,261
Subtotal	13,695	28,185	28,653	15,000	85,531
Others:					
LOTTE FOOD CO., LTD.	323	4,689	22,669	-	8,326
Lotte Aluminum Co., Ltd.	256	21,592	1,925	-	15,011
Lotte Logistics Co., Ltd.	10	939	261,276	-	31,434
Others	2,075	139,901	4,529	19,903	68,963
Subtotal	2,664	167,121	290,399	19,903	123,734
Total	₩ 21,070	502,060	355,576	34,903	397,545

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(Unaudited)

38. Transactions and Balances with Related Companies, Continued

(d) Account balances with related companies as of September 30, 2016 and December 31, 2015 are summarized as follows:, continued

	Korean won (millions)				
	2015				
	Receivables		Payables		
Related company	Trade receivables	Other receivables	Trade payables	Borrowings	Other payables
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 4,211	73,043	2	-	31,934
Lotte Confectionery Co., Ltd.	304	12,659	20,181	-	2,113
Lotte Chilsung Beverage Co., Ltd.	724	55,443	7,338	-	6,270
Lotte Engineering & Construction Co., Ltd.	-	39,842	-	-	112,970
Hotel Lotte Pusan Co., Ltd.	171	10,863	3	-	3,919
LOTTE DATA COMMUNICATION COMPANY	5	12,725	359	-	53,918
Korea Fuji Film Co., Ltd.	5	90	78	-	1,560
Subtotal	5,420	204,665	27,961	-	212,684
Associates:					
DAEHONG COMMUNICATIONS INC.	4,696	798	-	-	24,372
Lotte Station Building Co., Ltd.	9,111	12,630	-	-	11,180
Lotteria Co., Ltd.	343	1,598	389	-	11,224
Lotte Trading Co., Ltd.	26	978	8,756	-	78
Others	2,290	6,467	17,303	15,000	38,107
Subtotal	16,466	22,471	26,448	15,000	84,961
Others:					
LOTTE FOOD CO., LTD.	97	3,887	21,143	-	8,358
Lotte Aluminum Co., Ltd.	-	18,448	1,747	-	10,578
Lotte Logistics Co., Ltd.	2	2,629	236,535	-	25,537
Others	2,610	109,188	4,073	21,159	61,859
Subtotal	2,709	134,152	263,498	21,159	106,332
Total	₩ 24,595	361,288	317,907	36,159	403,977

38. Transactions and Balances with Related Companies, Continued

(e) The Group has provided guarantees for related companies as of September 30, 2016 as follows:

Related company	Guarantee recipient	Type of borrowings	Guaranteed amount (thousands)
Associates:			
Lotte Shopping Rus Ltd.	Korea Exchange Bank	Working capital	USD 5,000
Shandong Longzhile Cinema Co., Ltd.	Shinhan Bank	Working capital	CNY 24,000
Joint ventures:			
International Business Center Company Limited	The Export-Import Bank of Korea	Working capital	USD 15,000
	Standard Chartered Bank Korea Limited	Working capital	VND 110,000,000
Others:			
Lotte Properties(Shenyang) Limited	The Export-Import Bank of Korea	Working capital	USD 30,500
	Woori Bank	Working capital	USD 31,500
	INDUSTRIAL BANK OF KOREA	Working capital	USD 57,500

(f) The fulfillment of the VPF contract between D-Cinema of Korea Co., Ltd. and Twentieth Century Fox Film Corporation was equally guaranteed by CGV and the Group in October 2008.

(g) The fulfillment of the loyalty contract between Burger King Japan Co., Ltd. and BK Asiapac, Pte. Ltd. was guaranteed by the Group.

(h) The Group entered into an agreement to jointly provide financial support for HND able 2nd limited ("HND able") and Invest Farmland Co., Ltd. in default of the principal and interest on the Asset Backed Commercial Paper ("ABCP", ₩700,000 million of par value in maturing in 57 months) issued by HND able on May 27, 2013, which is collateralized with the assets of Lotte Incheon Development Co., Ltd. and on the electronics a short-term debenture (₩34,000 million of par value in maturing in 14 months) issued by Lotte Incheon Town Co., Ltd on October 26, 2015.

(i) In 2015, Lotte Incheon Town Co., Ltd., which is the Group's associate, entered into a land sale and purchase contract with the government of Incheon city. As a result of the contract, the Group collected a security deposit of ₩30,600 million, which was previously paid by the Group to the Incheon city from Lotte Incheon Town Co., Ltd.

(j) In 2013, the Group issued hybrid securities, among which ₩20,000 million is held by Lotte Non-Life Insurance Co., Ltd.

39. Risk Management

(a) Management of financial risks

Objectives and Policies of the Group

Risk management activities of the Group 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 Group'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 Group has established risk management policies in an integrated perspective, and is complying with the risk management policies and procedures by strictly performing control and review of internal managers.

Credit Risk

Credit risk is the risk of financial loss to the Group 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 Group's profit is generated from individual clients and carries low credit risk. Also, the Group deposits its cash and cash equivalents and short-term financial instruments with financial institutions. Credit risks from these financial institutions are very limited due to their high solvency.

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 September 30, 2016 and December 31, 2015 are as follows:

Account		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Cash equivalent (*1)	₩	1,983,375	1,714,025
Trade and other receivables		919,794	918,851
Other financial assets (current)		9,503,485	9,672,512
Other financial assets (non-current) (*2)		1,508,682	1,527,522
Total	₩	13,915,336	13,832,910

(*1) Cash held by the Group are excluded as there is no exposure to credit risk.
(*2) Equity securities within available-for-sale financial assets are excluded as there is no exposure to credit risk.

September 30, 2016 and 2015

(Unaudited)

39. Risk Management, Continued

(a) Management of financial risks, continued

2) Impairment loss

Trade and other receivables, other financial assets (current), and other financial assets (non-current), before deducting the allowance for doubtful accounts as of September 30, 2016 and December 31, 2015 are summarized as follows:

	Korean won (millions)				
	September 30, 2016				
Description		Receivables that are neither past due nor impaired	Receivables that are past due as at the end of the reporting period but not impaired	Receivables impaired (*)	Total
Trade and other receivables	₩	885,915	33,453	28,063	947,431
Other financial assets (current)		9,114,556	342,663	253,669	9,710,888
Other financial assets (non-current)		1,508,682	-	4,059	1,512,741
Total	₩	11,509,153	376,116	285,791	12,171,060

(*) The Group sets up an allowance for doubtful account when financial assets are individually determined to be impaired.

	Korean won (millions)				
	December 31, 2015				
Description		Receivables that are neither past due nor impaired	Receivables that are past due as at the end of the reporting period but not impaired	Receivables impaired (*)	Total
Trade and other receivables	₩	882,488	36,363	51,228	970,079
Other financial assets (current)		9,296,172	316,064	267,265	9,879,501
Other financial assets (non-current)		1,527,522	-	4,057	1,531,579
Total	₩	11,706,182	352,427	322,550	12,381,159

(*) The Group sets up an allowance for doubtful account when financial assets are individually determined to be impaired.

39. Risk Management, Continued

(a) Management of financial risks, continued

3) Allowance for doubtful trade and other receivables

The movement in the allowance for doubtful trade and other receivables for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are summarized as follow:

		Korean won (millions)	
		2016	**2015**
Balance at beginning of the period	₩	51,228	16,131
Impairment loss		5,182	38,334
Reversal of impairment loss		(34,500)	(144)
Write-offs		(1,008)	(3,310)
Recoveries		21	83
Others		6,714	134
Balance at end of the period	₩	27,637	51,228

The movement in the allowance for doubtful other financial assets (current) for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are summarized as follow:

		Korean won (millions)	
		2016	**2015**
Balance at beginning of the period	₩	206,990	179,106
Impairment loss		154,417	211,963
Write-offs		(167,142)	(198,400)
Recoveries		13,138	14,321
Balance at end of the period	₩	207,403	206,990

The movement in the allowance for doubtful other financial assets (non-current) for the nine-month period ended September 30, 2016 and for the year ended December 31, 2015 are summarized as follow:

		Korean won (millions)	
		2016	**2015**
Balance at beginning of the period	₩	4,057	4,000
Impairment loss		1,680	5,400
Write-offs		-	(5,368)
Business combination		(1,678)	25
Balance at end of the period	₩	4,059	4,057

September 30, 2016 and 2015

(Unaudited)

39. Risk Management, Continued

(a) Management of financial risks, continued

4) Financial assets that are past due as at the end of the reporting period but not impaired

An analysis of the aging of trade and other receivables, other financial assets (current), and other financial assets (non-current) that are past due as at the end of the reporting period but not impaired are summarized as follows:

		Korean won (millions)				
		September 30, 2016				
Description		Carrying amount	3 months or less	3 ~ 6 months	6 ~ 12 months	More than 1 year
Trade and other receivables	₩	33,453	20,767	4,139	5,852	2,695
Other financial assets (current)		342,663	339,925	2,738	-	-
Total	₩	376,116	360,692	6,877	5,852	2,695

		Korean won (millions)				
		December 31, 2015				
Description		Carrying amount	3 months or less	3 ~ 6 months	6 ~ 12 months	More than 1 year
Trade and other receivables	₩	36,363	27,275	2,472	3,240	3,376
Other financial assets (current)		316,064	315,324	740	-	-
Total	₩	352,427	342,599	3,212	3,240	3,376

5) Guarantees

As of September 30, 2016, the Group has provided financial guarantees to associates, joint ventures and other related companies. Should the Group be liable for payment upon defaults of the associates, joint ventures and other related companies, the expected amounts which the Group is liable to pay within 1 year are ₩162,281 million.

39. Risk Management, Continued

(a) Management of financial risks, continued

Liquidity Risks

Liquidity risk is the risk that the Group 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 Group predicts and corresponds to potential risks through consistently analyzing the schedule of cash flow and establishing short-term and long-term capital management plans.

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

Aggregate maturities of financial liabilities, including estimated interest, as of September 30, 2016 are as follows:

		Korean won (millions)					
		September 30, 2016					
Description		Carrying amount	Contractual cash flows	3 months or less	3 ~ 6 months	6 ~ 12 months	More than 1 year
Borrowings and debentures (current)	₩	4,767,668	4,878,178	809,888	1,413,954	2,654,336	-
Trade and other payables		5,390,553	5,390,552	5,336,925	51,966	1,661	-
Other financial liabilities (current)		643,276	646,033	501,973	87,656	56,404	-
Borrowings and debentures (non-current)		9,082,852	9,716,250	46,147	55,551	146,262	9,468,290
Other financial liabilities (non-current)		384,534	396,747	4,213	4,498	7,598	380,438
Total	₩	20,268,883	21,027,760	6,699,146	1,613,625	2,866,261	9,848,728

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

39. Risk Management, Continued

(a) Management of financial risks, continued

Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the Group's return.

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

1) Currency risk

The Group is exposed to currency risk on borrowings and debentures that are denominated in a currency other than the respective functional currencies of the Group. Currencies that generate exchange positions include USD, JPY and others. The objective of exchange risk management is to continue stable financial activities by minimizing uncertainty and profit and loss fluctuations. Foreign currency trade for speculation is strictly prohibited.

The Group enters into currency swap transactions with financial institutions to hedge currency risks of foreign currency denominated borrowings and debentures. When the Group needs foreign currencies, the Group enters into a forward exchange contract with major financial institutions to avoid the risks of exchange rate fluctuations.

Assets and liabilities denominated in foreign currencies other than the Group functional currencies as of September 30, 2016 and December 31, 2015 are as follows:

		Korean won (millions)			
		September 30, 2016		**December 31, 2015**	
		Assets	Liabilities	Assets	Liabilities
USD	₩	13,751	2,897,400	11,685	3,104,347
EUR		92	1,567	65	2,191
JPY		53	108,374	257	188,311
VND		21	-	-	-
CNY		1,124	11	1,249	-
HKD		-	31	-	-
Total	₩	15,041	3,007,383	13,256	3,294,849

September 30, 2016 and 2015

(Unaudited)

39. Risk Management, Continued

(a) Management of financial risks, continued

The closing rates as of September 30, 2016 and December 31, 2015 and the average rates for the three-month period ended September 30, 2016 and 2015 are as follows:

		Average rate		Closing rate	
		2016	**2015**	**September 30, 2016**	**December 31, 2015**
USD	₩	1,161.60	1,122.42	1,096.30	1,172.00
EUR		1,295.99	1,250.87	1,230.32	1,280.53
JPY		10.7158	9.2816	10.8368	9.7201
VND		0.0520	0.0516	0.0492	0.0522
CNY(*)		176.23	179.68	163.97	180.55
HKD		149.61	144.77	141.35	151.21

(*) The Group had translated with CNY rate calculated by arbitrating USD/KRW and USD/CNY until December 31, 2015. However, the exchange rate has not been announced any longer from January 4, 2016, the Group applies direct CNH/KRW exchange rate in translation from January 1, 2016.

39. Risk Management, Continued

(a) Management of financial risks, continued

The Group regularly measures exchange risks on Korean won against foreign currency fluctuations. The Group assumes that foreign currency exchange rates fluctuate 10% at the end of reporting period, and others variables are not changed. Sensitivity analysis of income before taxes from changes of foreign currency exchange rate as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)			
		September 30, 2016		**December 31, 2015**	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	994	(994)	684	(684)
EUR		(147)	147	(213)	213
JPY		(10,832)	10,832	(9,695)	9,695
VND		2	(2)	-	-
CNY		111	(111)	125	(125)
HKD		(3)	3	-	-
Total	₩	(9,875)	9,875	(9,099)	9,099

Borrowings and debentures with currency swaps and overseas convertible bonds designated as financial liabilities at fair value through profit or loss are not included. The sensitivity analysis above is related to the monetary assets and liabilities, denominated in a currency other than the Group's functional currency, as of September 30, 2016 and December 31, 2015 of the Group entities in Korea.

2) Interest rate risk

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

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

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instruments was:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Variable rate instruments:			
Financial assets	₩	1,268,387	820,038
Financial liabilities		3,603,163	3,424,414

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(Unaudited)

39. Risk Management, Continued

(a) Management of financial risks, continued

Sensitivity analysis of interest income and expenses from changes in interest rates as of September 30, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)			
		September 30, 2016		**December 31, 2015**	
		100bps up	100bps down	100bps up	100bps down
Interest income	₩	12,684	(12,684)	8,200	(8,200)
Interest expense		6,490	(6,490)	5,900	(5,900)

Borrowings and debentures for which the Group has entered into interest rate swap transactions are not included.

3) Price risk

The Group is exposed to fluctuations of price in available-for-sale financial assets. The book values of the marketable available-for-sale financial assets as of September 30, 2016 and December 31, 2015 are ₩282,231 million and ₩282,887 million, respectively.

The Group assumes that prices of the marketable available-for-sale financial assets fluctuate 10% at the end of reporting period, and others variables are not changed. Sensitivity analysis of other comprehensive income from changes of price as of September 30, 2016 and December 31, 2015 are as summarized as follows:

		Korean won (millions)			
		September 30, 2016		**December 31, 2015**	
		10% increase	10% decrease	10% increase	10% decrease
Other comprehensive income	₩	28,223	(28,223)	28,289	(28,289)

(b) Capital Management

The objective of the Group's capital management is maximizing shareholders' profit through maintaining a sound capital structure. The Group makes necessary improvements to the capital structure through monthly monitoring of financial ratios such as liabilities to equity ratios and net borrowings to equity ratios in order to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of September 30, 2016 and December 31, 2015 are as follows:

		Korean won (millions)	
		September 30, 2016	**December 31, 2015**
Liabilities (a)	₩	23,842,837	23,605,524
Equity (b)		17,149,298	17,087,842
Financial instruments (*) (c)		3,037,709	2,998,383
Borrowings (d)		13,850,520	14,083,577
Liabilities to equity ratio (a/b)		139.03%	138.14%
Net borrowings to equity ratio ((d-c)/b)		63.05%	64.87%

(*) Financial instruments mainly consist of ordinary deposits, checking accounts, short-term and long-term financial instruments.