

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

(Unaudited)

(With Independent Auditors' Review Report Thereon)

Contents

	Page
Independent Auditors' Review Report	1
Condensed Separate Interim Statements of Financial Position	3
Condensed Separate Interim Statements of Comprehensive Income	5
Condensed Separate Interim Statements of Changes in Equity	6
Condensed Separate Interim Statements of Cash Flows	8
Notes to the Condensed Separate Interim Financial Statements	11

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 separate interim financial statements of Lotte Shopping Co., Ltd. (the "Company"), which comprise the condensed separate interim statement of financial position as of March 31, 2016, the condensed separate interim statements of comprehensive income and changes in equity and cash flows for the three-month periods ended March 31, 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 separate 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 separate 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 separate 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 separate interim financial statements may differ from those generally accepted and applied in other countries.

The separate statement of financial position of the Company as of December 31, 2015, and the related separate 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 separate statement of financial position of the Company as of December 31, 2015, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

KPMG Samjong Accounting Corp.
Seoul, Korea
May 13, 2016

<p>This report is effective as of May 13, 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 condensed separate interim 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.</p>

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Financial Position

As of March 31, 2016 and December 31, 2015

(Unaudited)

		Korean won (millions)	
	Notes	March 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	6,34,37 ₩	551,582	578,618
Trade and other receivables	4,6,36,37	435,817	563,375
Other financial assets	5,6,37	635,514	811,586
Inventories	7	2,063,230	2,036,792
Other non-financial assets	8	110,237	99,291
Total current assets		3,796,380	4,089,662
Investments in associates, joint ventures and subsidiaries	9,10,11,36	5,304,879	5,266,106
Other financial assets	5,6,37	1,253,457	1,226,294
Property and equipment, net	12,36	13,437,107	13,471,597
Investment property, net	13	316,712	289,454
Goodwill	14	484,428	484,277
Intangible assets, net	14	398,648	410,621
Other non-financial assets	8	836,171	782,695
Total non-current assets		22,031,402	21,931,044
Total assets	₩	25,827,782	26,020,706

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Financial Position, Continued

As of March 31, 2016 and December 31, 2015

(Unaudited)

	Notes	Korean won (millions)	
		March 31, 2016	December 31, 2015
Liabilities			
Borrowings and debentures, net of issuance costs	6,16,37 ₩	892,766	1,082,579
Trade and other payables	6,15,36,37	3,474,785	3,719,808
Other financial liabilities	6,21,37	290,316	309,762
Income taxes payable		66,034	75,504
Unearned revenues	17	55,946	56,478
Provisions	18	5,400	1,404
Other non-financial liabilities	19	752,810	718,526
Total current liabilities		5,538,057	5,964,061
Borrowings and debentures, net of issuance costs	6,16,37	3,468,042	3,351,529
Other financial liabilities	6,21,37	99,006	72,672
Employee benefit liabilities	20	71,575	44,784
Deferred tax liabilities		1,059,538	1,043,023
Unearned revenues	17	6,038	3,373
Other non-financial liabilities	19	12,670	9,557
Total non-current liabilities		4,716,869	4,524,938
Total liabilities		10,254,926	10,488,999
Equity			
Common stock of ₩5,000 par value			
Authorized - 60,000,000 shares	1,22		
Issued and outstanding – 31,490,892 shares		157,454	157,454
Capital surplus	22	3,962,094	3,962,094
Hybrid securities	23	269,118	269,118
Capital adjustments	24	(1,806)	(1,806)
Retained earnings	25	11,124,939	11,080,393
Accumulated other comprehensive income	26	61,057	64,454
Total equity		15,572,856	15,531,707
Total liabilities and equity	₩	25,827,782	26,020,706

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Comprehensive Income

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

	<i>Notes</i>	Korean won (millions, except for earnings per share)	
		2016	2015
Sales	28,35,36 ₩	4,010,312	3,984,615
Cost of sales	7,28,31,36	(2,690,580)	(2,686,495)
Gross profit		<u>1,319,732</u>	<u>1,298,120</u>
Selling, general and administrative expenses	29,31,36	(1,130,035)	(1,092,218)
Operating profit		<u>189,697</u>	<u>205,902</u>
Other income	30	15,568	10,235
Other expenses	30	(13,191)	(12,890)
Finance income	32	106,591	52,483
Finance costs	32	(141,680)	(54,795)
Profit before income tax		<u>156,985</u>	<u>200,935</u>
Income tax expense	33	(43,699)	(45,506)
Profit for the period		<u>113,286</u>	<u>155,429</u>
Other comprehensive income (loss):	26		
Items that will never be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	20	(8,396)	76
Income tax on items that will never be reclassified to profit or loss		2,032	(18)
Total items that will never be reclassified to profit or loss		<u>(6,364)</u>	<u>58</u>
Items that are or may be reclassified to profit or loss:			
Net change in unrealized fair value of available-for-sale financial assets	26	8,498	(7,743)
Effective portion of unrealized changes in fair values of cash flow hedges	21,26	(12,980)	1,069
Income tax on items that are or may be reclassified to profit or loss		1,085	1,615
Total items that are or may be reclassified to profit or loss		<u>(3,397)</u>	<u>(5,059)</u>
Other comprehensive income (loss), net of tax		<u>(9,761)</u>	<u>(5,001)</u>
Total comprehensive income for the period		<u><u>103,525</u></u>	<u><u>150,428</u></u>
Earnings per share	27		
Basic earnings per share (in won)		3,723	5,152
Diluted earnings per share (in won)	₩	<u>3,712</u>	<u>5,137</u>

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Changes in Equity

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

Korean won (millions)

		<u>Capital stock</u>	<u>Capital surplus</u>	<u>Hybrid securities</u>	<u>Capital adjustments</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income</u>	<u>Total equity</u>
Balance at January 1, 2015	₩	157,454	3,962,094	269,118	(1,806)	11,464,811	113,093	15,964,764
Total comprehensive income (loss) for the period								
Profit for the period		-	-	-	-	155,429	-	155,429
Other comprehensive income (loss):								
Net change in unrealized fair value of available-for-sale financial assets		-	-	-	-	-	(5,869)	(5,869)
Effective portion of unrealized changes in fair values of cash flow hedges		-	-	-	-	-	810	810
Remeasurements of net defined benefit liability		-	-	-	-	58	-	58
Subtotal		-	-	-	-	58	(5,059)	(5,001)
Total comprehensive income (loss) for the period		-	-	-	-	155,487	(5,059)	150,428
Transactions with owners of the Company, recognized directly in equity:								
Interest payment of hybrid securities		-	-	-	-	(3,175)	-	(3,175)
Dividends		-	-	-	-	(59,105)	-	(59,105)
Subtotal		-	-	-	-	(62,280)	-	(62,280)
Balance at March 31, 2015	₩	<u>157,454</u>	<u>3,962,094</u>	<u>269,118</u>	<u>(1,806)</u>	<u>11,558,018</u>	<u>108,034</u>	<u>16,052,912</u>

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Changes in Equity, Continued

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

Korean won (millions)

		<u>Capital stock</u>	<u>Capital surplus</u>	<u>Hybrid securities</u>	<u>Capital adjustments</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income</u>	<u>Total equity</u>
Balance at January 1, 2016	₩	157,454	3,962,094	269,118	(1,806)	11,080,393	64,454	15,531,707
Total comprehensive income (loss) for the period								
Profit for the period		-	-	-	-	113,286	-	113,286
Other comprehensive income (loss):								
Net change in unrealized fair value of available-for-sale financial assets		-	-	-	-	-	6,442	6,442
Effective portion of unrealized changes in fair values of cash flow hedges		-	-	-	-	-	(9,839)	(9,839)
Remeasurements of net defined benefit liabilities		-	-	-	-	(6,364)	-	(6,364)
Subtotal		-	-	-	-	(6,364)	(3,397)	(9,761)
Total comprehensive income (loss) for the period		-	-	-	-	106,922	(3,397)	103,525
Transactions with owners of the Company, recognized directly in equity:								
Interest payment of hybrid securities		-	-	-	-	(3,272)	-	(3,272)
Dividends		-	-	-	-	(59,104)	-	(59,104)
Subtotal		-	-	-	-	(62,376)	-	(62,376)
Balance at March 31, 2016	₩	<u>157,454</u>	<u>3,962,094</u>	<u>269,118</u>	<u>(1,806)</u>	<u>11,124,939</u>	<u>61,057</u>	<u>15,572,856</u>

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.
Condensed Separate Interim Statements of Cash Flows

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

		Korean won (millions)	
		2016	2015
Cash flows from operating activities			
Profit for the period	₩	113,286	155,429
Income tax expense		43,699	45,506
Post-employment benefits expense		18,166	17,235
Long-term employee benefits expense		2,101	1,772
Depreciation		131,983	133,862
Amortization		16,343	15,096
Loss on foreign currency translation		5,503	7,289
Loss on foreign currency transactions		26	68
Loss on disposal of property and equipment		433	489
Loss on valuation of financial liabilities at fair value through profit or loss		5,494	960
Loss on disposal of available-for-sale financial assets		420	792
Loss on valuation of derivative instruments		38,326	11,378
Bad debt expenses (reversal of bad debt expenses)		-	(6)
Other bad debt expenses (reversal of other bad debt expenses)		(5)	19
Loss on redemption of debentures		19,226	-
Rental expenses (amortization of discount on deposit, etc.)		16,076	13,804
Impairment of investments in subsidiaries and associates and joint venture		41,025	-
Gain on valuation of financial liabilities at fair value through profit or loss		(259)	-
Gain on foreign currency translation		(37,114)	(89)
Gain on disposal of property and equipment		(1,518)	(135)
Reversal of impairment of other non-financial assets		(4)	(1)
Gain on disposal of investments in subsidiaries and associates and joint venture		(1,982)	-
Gain on valuation of derivative instruments		(5,099)	(7,937)
Gain on transactions of derivative instruments		(13,362)	-
Rental income		(570)	(615)
Interest expense		31,763	34,311
Interest income		(13,451)	(13,334)
Dividend income		(35,388)	(31,212)
Trade receivables		94,127	(13,883)
Other receivables		55,271	(7,852)
Other financial assets		7,141	45,037
Inventories		(26,438)	(6,612)
Other non-financial assets		(64,016)	(52,257)
Trade payables		(150,149)	(186,201)
Other payables		(132,183)	(129,760)
Other financial liabilities		(13,130)	(65,872)
Other non-financial liabilities		34,233	64,090
Unearned revenues		896	1,340
Provisions		3,995	4,073
Payment of post-employment benefits and long-term employee benefits		(11,922)	(15,231)
Plan assets		8,323	9,030
Income tax paid		(1,004)	(1,123)
Net cash provided by operating activities	₩	180,262	29,460

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Condensed Separate Interim Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

		Korean won (millions)	
		2016	2015
Cash flows from investing activities			
Proceeds from sale of short-term financial assets	₩	205,000	2,683
Decrease of short-term loans		3,250	4,150
Proceeds from sale of available-for-sale financial assets		-	3,887
Proceeds from sale of investments in subsidiaries, associates and joint venture		1,982	-
Proceeds from disposal of property and equipment		7,330	20,518
Proceeds from disposal of other intangible assets		-	14
Cash inflows from capital distribution from subsidiaries and associates		-	5,673
Purchase of short-term financial assets		(43,702)	(232,851)
Increase of short-term loans		-	(26)
Purchase of available-for-sale financial assets		(17,298)	(980)
Purchase of investments in subsidiaries, associates and joint venture		(79,798)	(48,050)
Acquisition of property and equipment		(186,144)	(275,543)
Acquisition of other intangible assets		(12,541)	(8,523)
Interest received		6,054	5,452
Dividends received		-	2,234
Net cash used in investing activities	₩	(115,867)	(521,362)

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.
Condensed Separate Interim Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2016 and 2015

		Korean won (millions)	
		2016	2015
Cash flows from financing activities			
Proceeds from short-term borrowings	₩	239,949	398,934
Redemption of current portion of long-term debt		(307,425)	(400,000)
Payment of hybrid securities interests		(3,272)	(3,175)
Interest paid		(20,683)	(22,547)
Net cash provided by (used in) financing activities	₩	(91,431)	(26,788)
Net increase in cash and cash equivalents		(27,036)	(518,690)
Cash and cash equivalents at January 1		578,618	917,846
Cash and cash equivalents at March 31	₩	551,582	399,156

See accompanying notes to the condensed separate interim financial statements.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

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, 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 March 31, 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 stock	1,938,688	6.16
Others	9,521,302	30.24
Total	31,490,892	100.00

2. Basis of Accounting

(a) Statement of compliance

The condensed separate interim 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 separate interim financial statements were prepared in accordance with K-IFRS No. 1034 'Interim Financial Reporting' as part of the period covered by the Company's K-IFRS annual separate 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 Company since the last annual separate financial statements as of and for the year ended December 31, 2015.

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

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

2. Basis of Accounting, Continued

(b) Use of estimates and judgments

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

3. Significant Accounting Policies

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

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

4. Trade and Other Receivables

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Trade receivables	₩	296,406	398,451
Other receivables		144,015	169,569
Allowance for doubtful accounts		(4,604)	(4,645)
Trade and other receivables	₩	435,817	563,375

5. Restricted Deposits

Restricted deposits included in current and non-current other financial assets as of March 31, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)	
Description	Depository	March 31, 2016	December 31, 2015
Current:			
Short-term financial instruments	Busan Bank	₩ 3,053	2,851
	Industrial Bank of Korea and others	109,000	95,500
Non-current:			
Long-term financial instruments	Busan Bank	2,000	2,000
	Shinhan Bank and others	15	15
Available-for-sale financial assets	Busan Metropolitan Government and others	23,830	21,408
Total		₩ 137,898	121,774

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments

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

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 551,582	551,582	578,618	578,618
Loans and receivables (*1)	Current:				
	Trade and other receivables	435,817	435,817	563,375	563,375
	Short-term financial instruments	492,053	492,053	653,351	653,351
	Short-term loans	6,500	6,500	6,500	6,500
	Accrued income	3,288	3,288	3,827	3,827
	Deposits	93,570	93,570	102,663	102,663
	Non-current:				
	Long-term financial instruments	2,000	2,000	2,000	2,000
	Opening a checking account deposit	15	15	15	15
	Long-term loans	42,250	42,250	45,500	45,500
	Deposits	863,043	863,043	857,583	857,583
	Long-term other receivables	16,336	16,336	-	-
	Subtotal	1,954,872	1,954,872	2,234,814	2,234,814
Available-for-sale financial assets	Marketable available-for- sale equity securities (*2)	193,808	193,808	171,174	171,174
	Non-marketable available- for-sale equity securities (*3)	34,448	34,448	34,448	34,448
	Equity securities valued by acquisition cost (*4)	79,052	79,052	76,552	76,552
	Non-marketable debt securities (*5)	362	362	120	120
	Subtotal	307,670	307,670	282,294	282,294
Derivative assets held for the purpose of hedging	Current derivative assets-hedge	40,103	40,103	45,245	45,245
	Non-current derivative assets-hedge	22,143	22,143	38,902	38,902
	Subtotal	62,246	62,246	84,147	84,147
	Total	₩ 2,876,370	2,876,370	3,179,873	3,179,873

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

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

(*1) Book value is considered as a fairly 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.

(*3) Some of non-marketable available-for-sale equity securities that do not have a quoted market price in an active market are measured at fair value based on valuation from external valuation agencies.

(*4) Others are recorded at acquisition cost because fair value cannot be reliably measured and difference between fair value and acquisition cost is immaterial.

(*5) Non-marketable available-for-sale debt securities that do not have a quoted market price in an active market are measured at fair value based on valuation of external valuation agencies.

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

Account	Korean won (millions)	
	March 31, 2016	December 31, 2015
Current:		
Short-term financial instruments	₩ 492,053	653,351
Short-term loans	6,500	6,500
Accrued income	3,288	3,827
Deposits	93,570	102,663
Derivative assets held for the purpose of hedging	40,103	45,245
Subtotal	635,514	811,586
Non-current:		
Long-term financial instruments	2,000	2,000
Opening a checking account deposit	15	15
Available-for-sale financial assets	307,670	282,294
Long-term loans	42,250	45,500
Deposits	863,043	857,583
Long-term other receivables	16,336	-
Derivative assets held for the purpose of hedging	22,143	38,902
Subtotal	1,253,457	1,226,294
Total	₩ 1,888,971	2,037,880

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

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

	Korean won (millions)				December 31, 2015
	March 31, 2016				
Description	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	82,875	55,248
Shinhan Financial Group Co., Ltd.	311,118	0.07%	2,247	12,600	12,305
LOTTE FOOD CO., LTD.	47,180	3.45%	10,167	39,537	44,774
momo.com Inc.	7,319,420	5.15%	35,956	56,154	55,491
Others			2,751	2,642	3,356
Subtotal			107,300	193,808	171,174
Non-marketable available-for-sale financial assets:					
LOTTE LOGISTICS CORP.	66,308	4.64%	4,000	13,865	13,865
Lotte Properties (Shenyang) Limited	29,928,756	17.93%	41,919	41,919	41,919
Government and public bonds			361	362	120
Others			66,166	57,716	55,216
Subtotal			112,446	113,862	111,120
Total			₩ 219,746	307,670	282,294

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

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

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at fair value through profit or loss	Overseas convertible bonds	₩ 118,675	118,675	113,440	113,440
	Current derivative liabilities held for the purpose of trading	8	8	13,362	13,362
	Non-current derivative liabilities held for the purpose of trading	25,521	25,521	24,608	24,608
	Subtotal	144,204	144,204	151,410	151,410
Financial liabilities based on amortized cost (*)	Current:				
	Trade and other payables	3,474,785	3,474,785	3,719,808	3,719,808
	Short-term borrowings	200,000	200,000	200,000	200,000
	Current portion of long-term borrowings	99,697	99,697	-	-
	Current portion of debentures	474,393	474,393	769,139	769,139
	Financial guarantee liabilities	5,771	5,771	6,778	6,778
	Accrued expenses	86,631	86,631	84,921	84,921
	Current portion of deposits received	197,813	197,813	204,427	204,427
	Non-current:				
	Long-term borrowings	102,602	102,602	196,820	196,820
	Debentures	3,365,440	3,365,440	3,154,709	3,154,709
	Deposits received	46,138	46,138	44,283	44,283
	Subtotal	8,053,270	8,053,270	8,380,885	8,380,885
Derivative liabilities held for the purpose of hedging	Current derivative liabilities-hedge	93	93	274	274
	Non-current derivative liabilities-hedge	27,347	27,347	3,781	3,781
	Subtotal	27,440	27,440	4,055	4,055
Total		₩ 8,224,914	8,224,914	8,536,350	8,536,350

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

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Current:			
Derivative liabilities held for the purpose of trading	₩	8	13,362
Derivative liabilities held for the purpose of hedging		93	274
Financial guarantee liabilities		5,771	6,778
Accrued expenses		86,631	84,921
Deposits received		197,813	204,427
Subtotal		290,316	309,762
Non-current:			
Derivative liabilities held for the purpose of trading		25,521	24,608
Derivative liabilities held for the purpose of hedging		27,347	3,781
Deposit received		46,138	44,283
Subtotal		99,006	72,672
Total	₩	389,322	382,434

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

(f) The fair value hierarchy

The fair value measurements classified by fair value hierarchy as of March 31, 2016 are as follows:

Description		Korean won (millions)			Total
		Level I	Level II	Level III	
Available-for-sale financial assets	₩	193,808	362	34,448	228,618
Derivative assets		-	62,246	-	62,246
Total financial assets	₩	193,808	62,608	34,448	290,864
Overseas convertible bonds		-	118,675	-	118,675
Derivative liabilities		-	27,440	25,529	52,969
Total financial liabilities	₩	-	146,115	25,529	171,644

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

Description		Korean won (millions)			Total
		Level I	Level II	Level III	
Available-for-sale financial assets	₩	171,174	120	34,448	205,742
Derivative assets		-	84,147	-	84,147
Total financial assets	₩	171,174	84,267	34,448	289,889
Overseas convertible bonds		-	113,440	-	113,440
Derivative liabilities		-	4,055	37,970	42,025
Total financial liabilities	₩	-	117,495	37,970	155,465

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

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

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

6. Fair Value of Financial Instruments, Continued

(g) Level 3 fair values

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

		Korean won (millions)	
		2016	2015
Beginning of the period	₩	(3,522)	90,739
Transfer into Level 3		-	(15,554)
Loss included in finance costs			
Loss on valuation of derivative instruments		12,441	11,126
Gain (loss) included in OCI			
Net change in unrealized fair value of available-for-sale financial assets		-	(5,834)
Disposal		-	(83,999)
End of the period	₩	8,919	(3,522)

(h) Sensitivity analysis

For the fair values of available-for-sale financial assets and stock options, reasonably possible changes as of March 31, 2016 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on fair values.

(i) Equity securities

		Korean won (millions)			
		Discount rate		Terminal growth rate	
Description		1% Decrease	1% Increase	0.5% Increase	1% Increase
Available-for-sale financial assets	₩	2,807	(2,316)	840	1,769

(ii) Stock options

		Korean won (millions)			
		Stock price		Stock price volatility	
Description		10% Decrease	10% Increase	1% Decrease	1% Increase
Stock options	₩	(5,384)	5,430	(23)	27

(iii) Embedded derivatives

		Korean won (millions)	
		Stock price volatility	
Description		1% Decrease	1% Increase
Exchange rights	₩	(1)	1

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

7. Inventories

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

		Korean won (millions)					
		March 31, 2016			December 31, 2015		
		Acquisition cost	Allowance for valuation	Book value	Acquisition cost	Allowance for valuation	Book value
Merchandise	₩	2,072,309	(17,204)	2,055,105	2,047,850	(16,279)	2,031,571
Finished goods		1,783	(633)	1,150	3,918	(1,033)	2,885
Goods in process		-	-	-	213	-	213
Raw materials		-	-	-	183	-	183
Subsidiary materials		-	-	-	23	-	23
Supplies		81	-	81	98	-	98
Materials-in-transit		6,894	-	6,894	1,819	-	1,819
Total	₩	<u>2,081,067</u>	<u>(17,837)</u>	<u>2,063,230</u>	<u>2,054,104</u>	<u>(17,312)</u>	<u>2,036,792</u>

(b) For the three-month periods ended March 31, 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
Cost of goods sold:			
- Amount of inventories recognized as cost of goods sold	₩	2,636,280	2,630,177
- Changes of allowance for valuation losses of inventories		525	1,864

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

8. Other Non-financial Assets

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Current			
Advance payments	₩	8,864	36,229
Prepaid expenses		101,373	63,062
	Subtotal	110,237	99,291
Non-current			
Long-term advance payments		234,763	183,696
Long-term prepaid expenses		601,408	598,999
	Subtotal	836,171	782,695
	Total	₩ 946,408	881,986

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

9. Investments in Associates

The details of investments in associates as of March 31, 2016 and December 31, 2015 are summarized as follows:

Company	Location	Principal business	Ownership (%)	Korean won (millions) Balance at March 31, 2016
Lotte Station Building Co., Ltd.	Korea	Distribution	25.00	₩ 157,380
Daehong Communications Co., Ltd.	Korea	Advertisement agency	34.00	28,785
Lotte Capital Co., Ltd.	Korea	Capital	22.36	77,413
Lotteria Co., Ltd.	Korea	Restaurant chain	38.68	112,864
FRL Korea Co., Ltd.	Korea	Retail	49.00	24,827
Lotte Asset Development Co., Ltd.	Korea	Real estate development	39.14	72,890
Zara Retail Korea Co., Ltd.	Korea	Retail	20.00	16,106
LOTTE Giants Co., Ltd.	Korea	Baseball club	30.00	9,823
Lotte Europe Holdings B.V.	Netherlands	Holding company	26.98	87,504
Coralis S.A.	Luxembourg	Holding company	45.00	59,606
S.M.CONTENTS INVESTMENT	Korea	Film producing company	25.00	1,750
Capital One Diversity Cinema Fund	Korea	Film producing company	20.00	364
UNION INVESTMENT PARTNERS	Korea	Film producing company	26.67	4,000
Capital One Middle-Low Budget Cinema Fund	Korea	Film producing company	25.00	3,000
Hubei XL Cinema Co., Ltd.	China	Cinema	49.00	9,423
Hemisphere Film Investors II LLC (*1)	America	Film producing company	100.00	19,727
TW No.14 Culture Contents Fund	Korea	Film producing company	30.00	6,000
Leading Asia Contents Fund	Korea	Film producing company	21.01	4,000
Shandong Longzhile Cinema Co., Ltd.	China	Cinema	49.00	7,173
Lotte Incheon Development Co., Ltd.	Korea	Real estate lease	37.50	15,000
Lotte Trading Co., Ltd.	Korea	Product brokerage	27.68	92,782
Eunpyeong PFV	Korea	Real estate development	20.11	3,500
Lotte Incheon Town Co., Ltd.	Korea	Real estate lease	35.00	3,500
LOTTE Town Dongtan Co.,LTD	Korea	Real estate development	50.00	35,000
LOTTE Accelerator Corporation (*2)	Korea	Management consulting	16.67	2,500
BUSAN-LOTTE CREATIVE FILM FUND	Korea	Film producing company	47.62	2,500
Total			₩	857,417

(*1) The Company is a non-managing partner of Hemisphere Film Investors II LLC and doesn't have power to govern its financial and operation policies, but has significant influence on the entity.

(*2) The investment is classified as an associate because Lotte.Com Inc., a subsidiary of the Company, holds 16.67% of the common stocks.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

9. Investments in Associates, Continued

The details of investments in associates as of March 31, 2016 and December 31, 2015 are summarized as follows:
continued

Company	Location	Principal business	Ownership (%)	Korean won (millions)	
				Balance at December 31, 2015	
Lotte Station Building Co., Ltd.	Korea	Distribution	25.00	₩	157,380
Daehong Communications Co., Ltd.	Korea	Advertisement agency	34.00		28,785
Lotte Capital Co., Ltd.	Korea	Capital	22.36		77,413
Lotteria Co., Ltd.	Korea	Restaurant chain	38.68		112,864
FRL Korea Co., Ltd.	Korea	Retail	49.00		24,827
Lotte Asset Development Co., Ltd.	Korea	Real estate development	39.14		72,890
Zara Retail Korea Co., Ltd.	Korea	Retail	20.00		16,106
LOTTE Giants Co., Ltd.	Korea	Baseball club	30.00		823
Lotte Europe Holdings B.V. (*1)	Netherlands	Holding company	26.98		87,504
Coralis S.A.	Luxembourg	Holding company	45.00		55,131
S.M.CONTENTS INVESTMENT	Korea	Film producing company	25.00		1,750
Capital One Diversity Cinema Fund	Korea	Film producing company	20.00		364
UNION INVESTMENT PARTNERS	Korea	Film producing company	26.67		4,000
Capital One Middle-Low Budget Cinema Fund	Korea	Film producing company	25.00		3,000
Hubei XL Cinema Co., Ltd.	China	Cinema	49.00		9,423
Hemisphere Film Investors II LLC (*2)	America	Film producing company	100.00		19,727
TW No.14 Culture Contents Fund	Korea	Film producing company	30.00		6,000
Leading Asia Contents Fund	Korea	Film producing company	21.01		4,000
Shandong Longzhile Cinema Co., Ltd.	China	Cinema	49.00		7,173
Lotte Incheon Development Co., Ltd.	Korea	Real estate lease	37.50		15,000
Lotte Trading Co., Ltd.	Korea	Product brokerage	27.68		92,782
Eunpyeong PFV	Korea	Real estate development	20.11		3,500
Lotte Incheon Town Co., Ltd. (*3)	Korea	Real estate lease	35.00		3,500
LOTTE Town Dongtan Co.,LTD	Korea	Real estate development	50.00		35,000
Total				₩	838,942

(*1) The Company performed an impairment test for the investee company using recoverable amount based on external valuation agency, as a result of an impairment test, the Company recognized an impairment loss of ₩12,168 million during 2015.

(*2) The Company is a non-managing partner of Hemisphere Film Investors II LLC and doesn't have power to govern its financial and operation policies, but has significant influence on the entity.

(*3) During 2015, the investment was reclassified from subsidiary to associate due to the decrease in percentage of ownership.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

10. Joint Ventures

When the Company has rights to the net assets of the joint ventures entity, the Company classifies the investment as a joint venture. The details of joint ventures as of March 31, 2016 and December 31, 2015 are summarized as follows:

				Korean won (millions)
				Balance at
				March
				31, 2016
Company	Location	Principal business	Ownership (%)	
D-Cinema of Korea Co., Ltd.	Korea	Film equipment	50.00	-
Shenyang SL Cinema Investment Management Co., Ltd.	China	Cinema	49.00	1,496
STL Co., Limited	Korea	Retail	50.00	4,000
Total				₩ 5,496
				Korean won (millions)
				Balance at
				December
				31, 2015
Company	Location	Principal business	Ownership (%)	
D-Cinema of Korea Co., Ltd.	Korea	Film equipment	50.00	-
Shenyang SL Cinema Investment Management Co., Ltd.	China	Cinema	49.00	1,496
STL Co., Limited	Korea	Retail	50.00	4,000
Total				₩ 5,496

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

11. Investments in Subsidiaries

(a) The details of subsidiaries of the Company as of March 31, 2016 and December 31, 2015 are as follows:

Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)(*1)	Korean won (millions) Balance at March 31, 2016
Lotte Card Co., Ltd.	Korea	Credit card, financing	Dec. 31	93.78	₩ 1,000,089
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	Dec. 31	53.03	393,213
Korea Seven Co.,Ltd.	Korea	Distribution	Dec. 31	51.14	82,473
Lotte Gimhae Development Co., Ltd.	Korea	Service company	Dec. 31	100.00	300
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	95.00	94,810
Lotte Songdo Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	56.30	60,000
NCF Co., Ltd.	Korea	Apparel manufacturing	Dec. 31	99.80	20,059
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	99.95	255,826
LOTTE Himart Co., Ltd. (*2)	Korea	Consumer electronics retail	Dec. 31	65.25	1,248,068
Lotte Department Store Masan Co., LTD.	Korea	Distribution	Dec. 31	100.00	16,500
Lotte Members Co., Ltd (*3)	Korea	Business support service	Dec. 31	93.78	12,065
LOTTE.COM INC (*4)	Korea	E-commerce business	Dec. 31	50.01	23,178
Lotte Shopping Holdings (Hong Kong) Co., Ltd. (*5)	Hong Kong	Holding company	Dec. 31	100.00	376,712
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*6)	Singapore	Holding company	Dec. 31	100.00	298,959
Lotte Vietnam Shopping Co., Ltd.	Vietnam	Distribution	Dec. 31	100.00	125,243
Qingdao LOTTE Mart Commercial Co., Ltd. (*5)	China	Distribution	Dec. 31	28.67	-
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	55.00	214,068
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	90.00	29,595
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	73.46	160,391
Lotte (China) Management Co., Ltd.	China	Managing company	Dec. 31	70.00	6,232
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	20.00	14,185
LHSC Limited (*6)	Cayman Islands	Holding company	Dec. 31	16.02	-
Lotte Ulsan Development Co., Ltd.	Korea	Real estate development	Dec. 31	100.00	10,000
					₩ 4,441,966

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

11. Investments in Subsidiaries, Continued

(a) The details of subsidiaries of the Company as of March 31, 2016 and December 31, 2015 are as follows, continued

Subsidiaries	Location	Products or services	Fiscal year	Percentage of ownership (%)(*1)	Korean won (millions) Balance at December 31, 2015
Lotte Card Co., Ltd.	Korea	Credit card, financing	Dec. 31	93.78	₩ 1,000,089
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	Dec. 31	53.03	393,213
Korea Seven Co.,Ltd.	Korea	Distribution	Dec. 31	51.14	82,473
Lotte Gimhae Development Co., Ltd.	Korea	Service company	Dec. 31	100.00	300
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	95.00	94,810
Lotte Songdo Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	56.30	60,000
NCF Co., Ltd.	Korea	Apparel manufacturing	Dec. 31	99.80	20,059
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	99.95	255,826
LOTTE Himart Co., Ltd. (*2)	Korea	Consumer electronics retail	Dec. 31	65.25	1,248,068
Lotte Department Store Masan Co., LTD.	Korea	Distribution	Dec. 31	100.00	16,500
Lotte Members Co., Ltd (*3)	Korea	Business support service	Dec. 31	93.78	12,065
LOTTE.COM INC (*4)	Korea	E-commerce business	Dec. 31	50.01	23,178
Lotte Shopping Holdings (Hong Kong) Co., Ltd. (*5)	Hong Kong	Holding company	Dec. 31	100.00	376,712
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	100.00	298,959
Lotte Vietnam Shopping Co., Ltd.	Vietnam	Distribution	Dec. 31	100.00	125,243
Qingdao LOTTE Mart Commercial Co., Ltd. (*5)	China	Distribution	Dec. 31	36.79	-
LOTTE MART COMPANY LIMITED (*6)	China	Distribution	Dec. 31	100.00	-
Liaoning LOTTE Mart Co., Ltd. (*6)	China	Distribution	Dec. 31	40.00	-
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	55.00	214,068
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	90.00	19,297
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	73.46	160,391
Lotte (China) Management Co., Ltd.	China	Managing company	Dec. 31	70.00	6,232
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	20.00	14,185
LHSC Limited	Cayman Islands	Holding company	Dec. 31	16.02	-
					₩ 4,421,668

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

11. Investments in Subsidiaries, Continued

- (a) The details of subsidiaries of the Company as of March 31, 2016 and December 31, 2015 are as follows;
continued

(*1) Percentage of ownership represents an ownership of the Company. Percentage of ownership described in note 36 represents an ownership of the Company and its subsidiaries.

(*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 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) During 2015, Lotte Members Co., Ltd split off from Lotte Card Co., Ltd.

(*4) During 2015, the investment was reclassified from investment in subsidiaries upon uneven capital increase.

(*5) Our Board of Directors decided to increase capital a total of USD 185 million until 2017 for Qingdao LOTTE Mart Commercial Co., Ltd. in September 2015 and the company increased capital to USD 38 million and USD 34 million during 2015 and 2016, respectively. Recoverable amounts of investments were less than its book value, therefore impairment losses were recognized totally.

(*6) For the three-month period ended March 31, 2016, these were reclassified to subsidiaries of Lotte Shopping Holdings (Hong Kong) Co., Limited.

- (b) The fair value of marketable securities of the Company's investments in subsidiaries as of March 31, 2016 and December 31, 2015 are summarized as follows:

Description		Korean won (millions)	
		March 31, 2016	December 31, 2015
LOTTE Himart Co., Ltd.	₩	788,648	908,793

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

12. Property and Equipment

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

Korean won (millions)								
March 31, 2016					December 31, 2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩ 7,580,909	-	-	7,580,909	7,608,263	-	-	7,608,263
Buildings	6,084,107	(1,925,750)	-	4,158,357	6,063,967	(1,888,832)	-	4,175,135
Structures	337,195	(101,155)	-	236,040	336,533	(97,454)	-	239,079
Machinery	90,396	(44,191)	(380)	45,825	90,195	(42,792)	(380)	47,023
Vehicles	5,238	(3,454)	(50)	1,734	5,296	(3,335)	(50)	1,911
Display fixtures	218,342	(153,124)	-	65,218	217,236	(147,490)	-	69,746
Furniture and fixtures	2,880,823	(2,103,196)	(5,265)	772,362	2,844,578	(2,032,972)	(5,265)	806,341
Tools and equipment	484	(484)	-	-	484	(484)	-	-
Construction-in-progress	576,662	-	-	576,662	524,099	-	-	524,099
Total	₩ 17,774,156	(4,331,354)	(5,695)	13,437,107	17,690,651	(4,213,359)	(5,695)	13,471,597

(b) Changes in property and equipment for the three-month period ended March 31, 2016 are as follows:

Korean won (millions)						
2016						
	Book value as of January 1, 2016	Acquisitions	Depreciation	Disposals	Others (*)	Book value as of March 31, 2016
Land	₩ 7,608,263	-	-	(2,549)	(24,805)	7,580,909
Buildings	4,175,135	204	(40,338)	(3,160)	26,516	4,158,357
Structures	239,079	59	(3,546)	-	448	236,040
Machinery	47,023	729	(1,927)	-	-	45,825
Vehicles	1,911	-	(177)	-	-	1,734
Display fixtures	69,746	1,348	(5,949)	-	73	65,218
Furniture and fixtures	806,341	27,094	(79,310)	(501)	18,738	772,362
Tools and equipment	-	-	-	-	-	-
Construction-in-progress	524,099	101,423	-	-	(48,860)	576,662
Total	₩ 13,471,597	130,857	(131,247)	(6,210)	(27,890)	13,437,107

(*) Others include reclassifications of construction-in-progress to intangible assets and investment property.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

12. Property and Equipment, Continued

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

		Korean won (millions)						
		2015						
		Book value as of January 1, 2015	Acquisitions	Depreciation	Impairment	Disposals	Others (*)	Book value as of December 31, 2015
Land	₩	7,564,061	4,081	-	-	(37,346)	77,467	7,608,263
Buildings		4,311,931	11,618	(164,640)	-	(152,265)	168,491	4,175,135
Structures		244,972	83	(14,078)	-	-	8,102	239,079
Machinery		48,996	2,647	(7,275)	(380)	(4)	3,039	47,023
Vehicles		2,204	496	(739)	(50)	(1)	1	1,911
Display fixtures		70,503	12,085	(23,670)	-	(246)	11,074	69,746
Furniture and fixtures		850,333	138,479	(325,178)	(5,265)	(3,370)	151,342	806,341
Tools and equipment		-	-	-	-	-	-	-
Construction- in-progress		530,200	457,108	-	-	(72,090)	(391,119)	524,099
Total	₩	13,623,200	626,597	(535,580)	(5,695)	(265,322)	28,397	13,471,597

(*) Others include reclassifications of construction-in-progress to intangible assets and investment property.

(d) As a result of impairment testing to discount stores which had indications of impairment as of December 31, 2015, the recoverable amounts in discount stores were less than its book value. The Company recognized impairment losses on property plant and equipment of ₩5,695 million, impairment losses on intangible assets of ₩2 million, impairment losses on other non-current assets of ₩12,985 million during 2015.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

13. Investment Property

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

Korean won (millions)						
March 31, 2016			December 31, 2015			
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 233,747	-	233,747	208,942	-	208,942
Buildings	139,873	(56,908)	82,965	133,698	(53,186)	80,512
Total	₩ 373,620	(56,908)	316,712	342,640	(53,186)	289,454

(b) Changes in investment property for the three-month period ended March 31, 2016 are as follows:

Korean won (millions)					
2016					
	Book value as of January 1, 2016	Acquisitions	Depreciation	Others (*)	Book value as of March 31, 2016
Land	₩ 208,942	-	-	24,805	233,747
Buildings	80,512	-	(736)	3,189	82,965
Total	₩ 289,454	-	(736)	27,994	316,712

(*) Others include reclassification between property and equipment and investment property.

(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	Others (*)	Book value as of December 31, 2015
Land	₩ 221,515	-	-	(12,573)	208,942
Buildings	103,230	-	(3,627)	(19,091)	80,512
Total	₩ 324,745	-	(3,627)	(31,664)	289,454

(*) Others include reclassification between property and equipment and investment property.

(d) There are no impairment losses and reversals of impairment losses for the three-month period ended March 31, 2016 and for the years ended December 31, 2015.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

14. Goodwill and Intangible Assets

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

		Korean won (millions)							
		March 31, 2016				December 31, 2015			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩	640,412	-	(155,984)	484,428	640,261	-	(155,984)	484,277
Industrial property rights		5,447	(4,517)	-	930	5,375	(4,404)	-	971
Rights to use facility		524,880	(151,058)	(2)	373,820	524,395	(144,427)	(2)	379,966
Membership		16,260	-	-	16,260	16,260	-	-	16,260
Other intangible assets(*)		22,903	(15,105)	(160)	7,638	199,020	(185,436)	(160)	13,424
Total	₩	1,209,902	(170,680)	(156,146)	883,076	1,385,311	(334,267)	(156,146)	894,898

(*) Other intangible assets are primarily related to movie distribution rights.

(b) Changes in goodwill and intangible assets for the three-month period ended March 31, 2016 are as follows:

		Korean won (millions)				
		2016				
		Book value as of January 1, 2016	Acquisitions	Amortization	Others	Book value as of March 31, 2016
Goodwill	₩	484,277	151	-	-	484,428
Industrial property rights		971	102	(143)	-	930
Rights to use facility		379,966	485	(6,631)	-	373,820
Membership		16,260	-	-	-	16,260
Other intangible assets		13,424	3,783	(9,569)	-	7,638
Total	₩	894,898	4,521	(16,343)	-	883,076

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

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	Acquisitions	Amortization	Impairment	Disposals	Others	Book value as of December 31, 2015
Goodwill	₩	634,401	290	-	(149,319)	(1,323)	228	484,277
Industrial property rights		1,169	194	(629)	-	-	237	971
Rights to use facility		406,493	-	(26,541)	(2)	(14)	30	379,966
Membership		15,889	536	-	-	(165)	-	16,260
Other intangible assets		15,738	30,575	(59,893)	-	-	27,004	13,424
Total	₩	<u>1,073,690</u>	<u>31,595</u>	<u>(87,063)</u>	<u>(149,321)</u>	<u>(1,502)</u>	<u>27,499</u>	<u>894,898</u>

15. Trade and Other Payables

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Trade payables	₩	2,663,238	2,813,445
Other payables		<u>811,547</u>	<u>906,363</u>
Total	₩	<u><u>3,474,785</u></u>	<u><u>3,719,808</u></u>

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Current:			
Short-term borrowings	₩	200,000	200,000
Current portion of long-term borrowings		100,000	-
Discount on current portion of long-term borrowings		(303)	-
Current portion of long-term debentures		593,875	903,440
Discount on debentures		(69)	(1,418)
Exchange rights adjustment		(737)	(19,443)
Subtotal		<u>892,766</u>	<u>1,082,579</u>
Non-current:			
Long-term borrowings		102,602	197,201
Discount on long-term borrowings		-	(381)
Long-term debentures		3,369,550	3,159,200
Discount on debentures		(4,110)	(4,491)
Subtotal		<u>3,468,042</u>	<u>3,351,529</u>
Total	₩	<u>4,360,808</u>	<u>4,434,108</u>

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures, Continued

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

Lender	Annual interest rate (%)	Korean won (millions)	
		March 31, 2016	December 31, 2015
Shinhan Bank	91days CD rate+0.15%	₩ 200,000	200,000
Total		₩ 200,000	200,000

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

Lender	Annual interest rate (%)	Maturity	Korean won (millions)	
			March 31, 2016	December 31, 2015
Lotte Co., Ltd. (Japan)	3M Tibor+1.129	Aug. 31, 2018	₩ 102,602	97,201
Mizuho Bank, Ltd.	2.67	Mar. 17, 2017	100,000	100,000
Subtotal			202,602	197,201
Less: Discount on borrowings			(303)	(381)
Subtotal			202,299	196,820
Less: Current portion of long-term borrowings			99,697	-
Total			₩ 102,602	196,820

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures, Continued

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

Description	Maturity	Interest rate (%)	Korean won (millions)	
			March 31, 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
61st placed	Mar. 21. 2018	3.05	100,000	100,000
62nd 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	173,025	175,800
64-2nd placed (foreign currency)	May 25, 2018	3M USD Libor	115,350	117,200
64-3rd placed (foreign currency)	May 25, 2018	3M USD Libor+0.02	115,350	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	173,025	175,800
67-2nd placed (foreign currency)	Aug.17, 2018	3M USD Libor+0.02	115,350	117,200
67-3rd placed (foreign currency)	Aug.06, 2018	3M USD Libor+0.60	115,350	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	115,350	-
69-2nd placed (foreign currency)	Jan.29, 2019	3M USD Libor+0.02	115,350	-
1st placed (Global bond)	Apr. 07. 2016	3.88	461,400	468,800
2nd placed (Global bond)	May 09. 2017	3.38	461,400	468,800
USD convertible bonds (*1)	Jul. 05, 2016	-	22,081	22,340
JPY convertible bonds (*1)	Jul. 05, 2016	-	96,594	91,100
Exchangeable bonds (*2)	Jan. 24, 2018	-	13,800	321,200
Subtotal			3,963,425	4,062,640
Less: Discount on debentures			(4,179)	(5,909)
Less: Exchange rights adjustment			(737)	(19,443)
Total book value			3,958,509	4,037,288
Less: Current portion of debentures, net of discount			(593,069)	(882,579)
Total			₩ 3,365,440	3,154,709

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures, Continued

(*1) In 2011, the Company issued USD convertible bonds of USD 500 million and JPY convertible bonds of JPY 32.5 billion, among which USD convertible bonds of USD 480,800,000 and JPY convertible bonds of JPY 22,940,000,000 were redeemed during 2014. USD convertible bonds and JPY convertible bonds have been designated as financial liabilities at fair value through profit or loss as of March 31, 2016 and December 31, 2015. The terms and conditions for convertible bonds held as of March 31, 2016 are summarized as follows:

(a) Type of bonds:	Registered overseas unsecured convertible bonds
(b) Total face value of bonds:	
USD Bonds:	19,200,000
JPY Bonds:	9,560,000,000
Total (in won):	149,412,924,000
(c) Exchange Rate	
USD Fixed Exchange Rate:	exchange rate of KRW 1,083.50/USD 1.00
JPY Fixed Exchange Rate:	exchange rate of KRW 13.4529/JPY 1.00
(d) Bond interest rate	
Coupon rate (%):	-
Yield to maturity (%):	0 (overseas convertible bonds without guarantee in U.S. dollars) (0.25) (overseas convertible bonds without guarantee in Japanese yen)
(e) Date of bond maturity:	July 5, 2016
(f) Principal redemption method:	
i. Redemption on the 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 conversion right has not been exercised.	
ii. Early redemption: The Company has a call option, whereas bond holders have a put option.	
(g) Put option by bondholders:	
The put option can be exercised if any of the following conditions occurs:	
i. On the third anniversary of the date of payment (July 5, 2014);	
ii. If any change of control occurs in the Company; or	
iii. The issued stocks of the Company are unlisted from the stock exchange or their transaction is suspended for 30 consecutive transaction days or longer.	
(h) Call option by the Company:	
The call option can be exercised if any of the following conditions occurs:	
i. If the closing price for 20 transactional days in 30 consecutive transaction days reaches 130% or more of the conversion price between 3 years from the issuance date 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.	
(i) Matters relating to conversion:	
i. Conversion ratio (%):	100
ii. Conversion price (KRW per share):	645,572
iii. Method to decide conversion price:	
While following Article 5-22 of the Regulations on Issuance, Public Disclosure, etc. of Securities, 23.8% conversion premium was applied to the closing price of the shares listed on the Korea Exchange on the day of conversion price determination.	
iv. Type of shares to be issued following conversion:	Registered common shares
v. Period to apply for conversion:	
Start date:	July 5, 2012
End date:	7 business days prior to the maturity date
vi. Matters for the adjustment of conversion price:	
In the case where a condition for re-adjustment of the conversion price has occurred, such as share dilution, the conversion price will be adjusted in accordance with the provisions in the relevant bonds purchase agreement.	

(*) On March 20, 2016, the general meeting of the Company's shareholders resolved to distribute cash dividends exceeding 0.5% of the market price of the Company's stock. Consequently, in accordance with terms and conditions of conversion price adjustments, the conversion price was adjusted from ₩647,979 to ₩645,572.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures, Continued

(*2) The Company 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: | |
| i. On the third anniversary of the date of payment (January 24, 2016); | |
| ii. If any change of control occurs in the LOTTE Himart; or | |
| iii. 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, 2016) 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. | |

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

16. Borrowings and Debentures, Continued

(e) Maturities of long-term borrowings and debentures as of March 31, 2016 are scheduled as follows:

		Korean won (millions)		
		Borrowings	Debentures	Total
Within 1 year	₩	100,000	593,875	693,875
1 ~ 2 years		-	991,400	991,400
2 ~ 3 years		102,602	1,148,150	1,250,752
3 ~ 4 years		-	560,000	560,000
More than 4 years		-	670,000	670,000
Total	₩	202,602	3,963,425	4,166,027

17. Unearned Revenues

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Current:			
Other points	₩	48,026	51,218
Unearned rental income		1,729	1,660
Others		6,191	3,600
Subtotal		55,946	56,478
Non-current:			
Unearned rental income		6,038	3,373
Total	₩	61,984	59,851

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

18. Provisions

Changes in provisions for the three-month period ended March 31, 2016 and the year ended December 31, 2015 are as follows:

		Korean won (millions)			
		2016			
		Book value as of January 1, 2016	Increase	Utilization	Book value as of March 31, 2016
Current:					
Provision for bonus points reward program (*)	₩	-	-	-	-
Provision for bonus payable		-	13,541	(9,222)	4,319
Provision for sales return		1,404	1,081	(1,404)	1,081
Total	₩	1,404	14,622	(10,626)	5,400

		Korean won (millions)			
		2015			
		Book value as of January 1, 2015	Increase	Utilization	Book value as of December 31, 2015
Current:					
Provision for bonus points reward program (*)	₩	496	-	(496)	-
Provision for bonus payable		-	36,823	(36,823)	-
Provision for sales return		1,410	1,404	(1,410)	1,404
Total	₩	1,906	38,227	(38,729)	1,404

(*) On January 1, 2015, Lotte Members Co., Ltd split off from Lotte Card Co., Ltd. After the split off, the settlement method for membership points was changed and on a periodic basis, the Company has the obligations to make cash payments to Lotte Members Co., Ltd for membership points which were earned by customers who purchased the Company's products and services but not redeemed yet. Therefore, the balance in provisions was reclassified to other payables in the separate financial statements upon the split off.

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

19. Other Non-financial Liabilities

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Current:			
Withholdings	₩	20,703	30,982
Withholdings of value added tax		57,043	77,427
Advances received (*)		675,064	610,117
Subtotal	₩	752,810	718,526
Non-current:			
Others		12,670	9,557
Total		765,480	728,083

(*) Advances received primarily related to amount received for purchased gift certificates.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

20. Employee Benefits

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Present value of defined benefit obligations	₩	455,124	435,201
Fair value of plan assets		(419,254)	(425,742)
Total	₩	35,870	9,459

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Present value of other long-term employee benefits	₩	35,705	35,325

- (c) Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2016 and the year ended December 31, 2015 are as follows:

		Korean won (millions)	
		2016	2015
Beginning of the period	₩	435,201	373,496
Current service costs		18,104	70,413
Interest costs		3,177	13,792
Remeasurements:			
- Gain from change in demographic assumptions		-	(1,712)
- Gain from change in financial assumptions		-	7,285
- Loss (gain) from experience adjustments		7,013	1,936
Payments		(10,185)	(35,739)
Others		1,814	5,730
End of the period	₩	455,124	435,201

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

20. Employee Benefits, Continued

- (d) Changes in plan assets of an employee benefit plan for the three-month period ended March 31, 2016 and for the year ended December 31, 2015 are as follows:

		Korean won (millions)	
		2016	2015
Beginning of the period	₩	425,742	350,514
Return on plan assets		3,115	11,402
Actuarial loss		(1,383)	(3,284)
Employer contribution		-	94,007
Payments		(8,323)	(27,404)
Others		103	507
End of the period	₩	419,254	425,742

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Principal-guaranteed insurance policies	₩	419,217	425,704
Others		37	38
Total	₩	419,254	425,742

- (f) Expenses recognized for the three-month period ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Current service costs	₩	18,104	17,024
Interest costs		3,177	3,111
Return on plan assets		(3,115)	(2,900)
Contributions to defined contribution plans		22	32
Long-term employee benefits		2,101	1,772
Total	₩	20,289	19,039

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

21. Derivative Instruments and Hedge Accounting

(a) Details of derivatives outstanding as of March 31, 2016 are as follows:

Description	Type	Description
Cash flow hedge	Currency swap	At the maturity of the swap, the principal and the interest payments for debentures in USD based on floating rates are exchanged back with the principal and fixed interest rate payments in KRW.
	Interest rate swap	Pays fixed interest to receive floating rate in KRW short-term borrowings.
	Currency forward	At the maturity of the contract, purchase dollars at the fixed exchange rate.
Purpose of trading	Embedded derivatives	The embedded option to exchange the bond for the common stocks of LOTTE Himart Co., Ltd.
	Call option	The Company holds the right to buy preferred stocks of Lotte Incheon Development Co., Ltd. and Lotte Incheon Town Co., Ltd.
	Put option	The Company grants the right to sell preferred stocks of Lotte Incheon Development Co., Ltd. and Lotte Incheon Town Co., Ltd. to the preferred stockholders.
		The Company grants the right to sell preferred stocks of Eunpyeong PFV to the preferred stockholders.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

21. Derivative Instruments and Hedge Accounting, Continued

(b) Details of currency swaps, as of March 31, 2016 are as follows:

Type	Description	Principal amount (thousands)		Fixed exchange rate (won)	Variable rate	Swap rate	Maturity
Currency swap	64-1st placed (foreign currency)	USD	150,000	1,105.90	3M USD Libor+0.50	2.24%	May 25, 2018
	64-2nd placed (foreign currency)	USD	100,000	1,105.90	3M USD Libor	2.25%	May 25, 2018
	64-3rd placed (foreign currency)	USD	100,000	1,109.80	3M USD Libor+0.02	2.25%	May 25, 2018
	67-1st placed (foreign currency)	USD	150,000	1,165.80	3M USD Libor+0.60	2.07%	Aug. 17, 2018
	67-2nd placed (foreign currency)	USD	100,000	1,169.00	3M USD Libor+0.02	2.05%	Aug. 17, 2018
	67-3rd placed (foreign currency)	USD	100,000	1,171.00	3M USD Libor+0.60	1.90%	Aug. 06, 2018
	69-1st placed (foreign currency)	USD	100,000	1,199.50	3M USD Libor+0.55	1.96%	Jan. 29, 2019
	69-2nd placed (foreign currency)	USD	100,000	1,200.50	3M USD Libor+0.02	1.94%	Jan. 29, 2019
	2nd placed (Global bond)	USD	100,000	1,135.70	3.38%	3.75%	May 09, 2017
	1st placed (Global bond)	USD	50,000	1,044.12	Not applicable	3.70%	Apr. 05, 2016
		USD	50,000	1,049.90			
		USD	20,000	1,043.60			
		USD	30,000	1,043.10			
Currency forward		USD	50,000	1,049.00			
		USD	100,000	1,106.65			
		USD	50,000	1,106.35			
		USD	50,000	1,106.15			
	2nd placed (Global bond)	USD	100,000	1,095.66	Not applicable	Not applicable	May 04, 2017
		USD	60,000	1,093.80			
		USD	40,000	1,094.12			
	USD convertible bonds	USD	19,200	1,103.40	Not applicable	Not applicable	Jun. 30, 2016
	JPY convertible bonds	JPY	3,441,456	9.2927	Not applicable	Not applicable	Jul. 01, 2016
		JPY	3,000,000	9.2918			
Interest rate swap	Short term borrowings	KRW	100,000	Not applicable	91days CD rate+0.20%	2.81%	Apr. 20, 2016
		KRW	150,000		91days CD rate+0.18%	1.95%	May 29, 2017
		KRW	200,000		91days CD rate+0.15%	1.71%	Sep. 23, 2016

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

21. Derivative Instruments and Hedge Accounting, Continued

- (c) Changes in the fair value of derivative instruments for the three-month period ended March 31, 2016 are as follows:

Description	Type of derivatives	Related accounts	Korean won (millions)
Cash flow hedge	Currency swap	Loss on valuation of derivative instruments	₩ (25,950)
		Unrealized loss on valuation of derivative instruments, net of tax effect	(9,921)
	Interest rate swap	Unrealized loss on valuation of derivative instruments, net of tax effect	(68)
		Currency forward	Loss on valuation of derivative instruments
	Currency forward	Unrealized loss on valuation of derivative instruments	(6,356)
		Unrealized loss on valuation of derivative instruments	(2,991)
Purpose of trading	Embedded derivatives	Loss on valuation of derivative instruments	(8)
	Stock options	Loss on valuation of derivative instruments	(913)

(*) The aggregate amount of loss on valuation derivative instruments incurred ₩31,100 million, until the March 31, 2016. The Company recognized accumulated other comprehensive loss ₩23,574 million (less tax effects ₩7,526 million).

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 amounts are paid to the holders of preferred shares. The Company has not issued any preferred stock and 31,490,892 shares of common stock were issued and outstanding as of March 31, 2016.
- (b) Capital surplus as of March 31, 2016 and December 31, 2015 consists of the following:

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Additional paid-in capital	₩	3,786,431	3,786,431
Other		175,663	175,663
	₩	3,962,094	3,962,094

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

23. Hybrid securities classified as equity

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

	Date of issue	Date of maturity	Interest rate (%)		Korean won (millions)	
					March 31, 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 Company 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 Company 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 Company cannot declare or pay dividends attributable to common stock. Since the Company 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.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

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 and, as a result, the Company holds 1,938,688 shares of treasury stocks as of March 31, 2016.

25. Retained Earnings

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

Korean won (millions)		
	March 31, 2016	December 31, 2015
Legal reserve	₩ 195,917	190,007
Voluntary reserve	10,810,052	11,190,052
Unappropriated retained earnings	118,970	(299,666)
Total	₩ 11,124,939	11,080,393

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

26. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the three-month period ended March 31, 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 March 31, 2016
Net change in unrealized fair value of available for-sale financial assets	₩	78,189	8,498	(2,056)	84,631
Effective portion of unrealized changes in fair values of cash flow hedges		(13,735)	(12,980)	3,141	(23,574)
Total	₩	<u>64,454</u>	<u>(4,482)</u>	<u>1,085</u>	<u>61,057</u>

		Korean won (millions)				
		2015				
		Beginning balance	Changes for the year	Reclassification adjustments	Tax effects for the year	Balance as of December 31, 2015
Net change in unrealized fair value of available for-sale financial assets	₩	122,717	(37,184)	(21,560)	14,216	78,189
Effective portion of unrealized changes in fair values of cash flow hedges		(9,624)	(6,322)	900	1,311	(13,735)
Total	₩	<u>113,093</u>	<u>(43,506)</u>	<u>(20,660)</u>	<u>15,527</u>	<u>64,454</u>

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

27. Earnings per Share

(a) Basic earnings per share

(i) Basic earnings per share for the three-month periods March 31, 2016 and 2015 are as follows:

		Korean won (millions, except per share amount)	
		2016	2015
Profit for the period	₩	113,286	155,429
Interests of hybrid securities		(3,272)	(3,175)
Weighted average number of common shares outstanding		29,552,204	29,552,204
Basic earnings per share	₩	3,723	5,152

(ii) Weighted average number of ordinary shares

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

(b) Diluted earnings per share

(i) Diluted earnings per share for the three-month periods March 31, 2016 and 2015 are as follows:

		Korean won (millions, except per share amount)	
		2016	2015
Profit for the period	₩	113,286	155,429
Interests of hybrid securities		(3,272)	(3,176)
Effect of conversion of convertible bonds (*)		(196)	728
Diluted profit attributable to ordinary shareholders		109,818	152,981
Diluted weighted average number of ordinary shares		29,584,327	29,782,165
Diluted earnings per share	₩	3,712	5,137

(*) For the three-month period ended March 31, 2016, the shares related to JPY convertible bonds were excluded from diluted earnings per share calculation as their effect would have been anti-dilutive.

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

27. Earnings per Share, Continued

(b) Diluted earnings per share, continued

(ii) Weighted average number of ordinary shares

	Share amount	
	2016	2015
Basic weighted average number of ordinary shares	29,552,204	29,552,204
Effect of conversion of convertible bonds	32,123	229,961
Diluted weighted average number of ordinary shares	29,584,327	29,782,165

(iii) Potential ordinary shares from conversion of convertible bonds as of March 31, 2016 are as follows:

	USD Bonds	JPY Bonds
Principal amount (in millions of won) (*1)	₩ 20,803	128,610
Conversion price (in won) (*2)	645,572	645,572
Number of potential ordinary shares	32,224	199,218

(*1) Principal amount of convertible bonds are the amount of USD 19 million and JPY 9,560 million multiplied by the fixed exchange rate of 1,083.50/USD and 13.4529/JPY, respectively.

(*2) On March 18, 2016, the general meeting of the Company's shareholders resolved to distribute cash dividends exceeding 0.5% of the market price of the Company's stock for the defined period. Consequently, in accordance with terms and conditions of conversion price adjustments, the conversion price was adjusted from ₩647,979 to ₩645,572.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

28. Sales and Cost of Sales

(a) Details of sales for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Sales-merchandise	₩	4,005,264	3,909,825
Sales-merchandise in direct management		3,667,617	3,626,712
Specific sales-merchandise		337,647	283,113
Discount store sales - merchandise		478,621	394,896
Sales allowance and discount		163,027	114,186
Reserve for returned goods unsold and deferred sales		45,837	54,820
Cost of specific merchandise sold		269,757	225,890
Sales-finished goods		3,035	2,515
Others		480,634	467,171
Total	₩	4,010,312	3,984,615

(b) Details of cost of sales for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Cost of merchandise sold	₩	2,639,875	2,624,088
Cost of products sold		1,967	1,274
Cost of other operating revenue		48,738	61,133
Total	₩	2,690,580	2,686,495

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

29. Selling, general and administrative expenses

Details of selling, general and administrative expenses for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Salaries	₩	216,550	210,152
Retirement and termination benefits		18,188	17,248
Long-term employee benefits		2,101	1,772
Employee welfare		41,704	41,291
Education and training		2,349	2,244
Travel		5,005	4,974
Maintenance fee for car		221	246
Insurance premium		2,584	2,392
Taxes and dues		11,057	9,911
Entertainment expenses		892	769
Supplies and stationery		14,407	14,192
Publication expenses		233	309
Communications		2,624	2,639
Utilities		64,912	67,248
Maintenance		5,838	7,040
Rent		169,993	154,970
Depreciation		131,983	133,862
Amortization of intangible assets		7,327	7,387
Commissions and fees		115,577	112,050
Service commission expenses		177,048	170,427
Advertising		29,014	32,744
Samples expenses		17	11
Sales commissions		54,829	49,342
Sales promotion expenses		46,026	38,512
Decoration		2,732	3,671
Bad debt expenses		-	(6)
Transportation		6,034	5,488
Research and development expenses		79	54
Compensation expenses		391	453
Others		320	826
Total	₩	1,130,035	1,092,218

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

30. Other incomes and expenses

Details of other income and expenses for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Other income:			
Gain on foreign currency transactions	₩	252	343
Gain on foreign currency translation		64	89
Gain on disposal of property and equipment		1,518	135
Reversal of impairment on other non-financial assets		4	1
Others (*1)		13,730	9,667
Total	₩	15,568	10,235
Other expenses:			
Loss on foreign currency transactions	₩	420	142
Loss on foreign currency translation		103	3
Loss on disposal of property and equipment		433	489
Donation		1,927	2,214
Other bad debt expenses			
(Reversal of other bad debt expenses)		(5)	19
Taxes and dues		39	16
Others (*2)		10,274	10,007
Total	₩	13,191	12,890

(*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.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

31. Nature of Expenses

Details of nature of expenses for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Purchase of inventories	₩	2,654,602	2,630,409
Changes in inventories		(21,380)	(8,279)
Employee benefits expense		278,543	270,717
Rent		169,993	154,970
Depreciation and amortization		148,326	148,958
Sales commissions		54,829	49,342
Sales promotion expenses		46,026	38,513
Commissions		115,577	112,053
Service commission expenses		177,048	170,427
Advertising expenses		31,227	39,768
Utilities		64,912	67,248
Taxes and dues		11,057	9,911
Others		89,855	94,676
Total	₩	3,820,615	3,778,713

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

32. Finance Income and Finance Costs

Details of finance income and finance costs for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Finance income:			
Interest income	₩	13,451	13,334
Dividend income		35,388	31,212
Gain on foreign currency translation		37,050	-
Gain on valuation of financial liabilities at fair value through profit or loss		259	-
Gain on valuation of derivative instruments held for the purpose of hedging		5,099	4,930
Gain on valuation of derivative instruments held for the purpose of trading		-	3,007
Gain on transactions of derivative instruments held for the purpose of trading		13,362	-
Gain on disposal of investments in associates, joint ventures and subsidiaries.		1,982	-
Total	₩	106,591	52,483
Finance costs:			
Interest expense	₩	31,763	34,311
Loss on foreign currency transactions		26	68
Loss on foreign currency translation		5,400	7,286
Loss on valuation of financial liabilities at fair value through profit or loss		5,494	960
Loss on disposal of available-for-sale financial assets		420	792
Loss on valuation of derivative instruments held for the purpose of hedging		37,405	-
Loss on valuation of derivative instruments held for the purpose of trading		921	11,378
Loss on redemption of debentures		19,226	-
Impairment loss on investments in associates, joint ventures and subsidiaries.		41,025	-
Total	₩	141,680	54,795

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

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 Company's effective tax rate for the three-month period ended March 31, 2016 was 27.8% (for the three-month period ended March 31, 2015: 22.6%). The increase in effective tax rate was primarily due to the unawareness of deferred tax assets by Impairment loss on investments in subsidiaries.

34. Statements of Cash Flows

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Cash	₩	12,849	15,377
Deposits		27,934	24,242
Other cash equivalents		510,799	538,999
Total	₩	551,582	578,618

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

35. Contingent Liabilities and Financial Commitments

- (a) As of March 31, 2016, the Company has various forms of credit facility commitments with financial institutions as follows:

		Credit line		Amount used
		Korean won (millions),		under credit facility
		Foreign currency (thousands)		Korean won (millions),
				Foreign currency (thousands)
General loan	KRW	100,000	KRW	100,000
General loan	USD	800	USD	54
Discount of bill	KRW	550,000	KRW	200,000
Buyer's credit	KRW	200,000	KRW	4,266
Bank overdraft	KRW	60,000	KRW	-
Payment guarantees	USD	1,200	USD	300
Letter of credit	USD	25,000	USD	7,312

- (b) Material contracts of the Company are as follows:

Contractor	Description of contract
Lotte Station Building Co., Ltd.	Providing management services

- (c) As of March 31, 2016, the Company is the plaintiff in various lawsuits claiming damages totaling ₩53,270 million and the Company is the defendant in various lawsuits with damage claims totaling ₩41,068 million. The management believes that the ultimate resolutions of other legal actions will not have a material effect on the financial position or results of operations of the Company.
- (d) 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 (book value of ₩5,477million) held by the Company have been in pledge in Mizuho Corporate Bank.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies

(a) Details of control and subsidiary relationships with the Company as of March 31, 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.

March 31, 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	Korea	SPC	Dec. 31	0.90
The 7th Supreme	Korea	SPC	Dec. 31	0.90
The 8th Supreme	Korea	SPC	Dec. 31	0.90
The 9th Supreme	Korea	SPC	Dec. 31	0.90
Lotte Members China	China	Business support services	Dec. 31	100.00
PT. Lotte Members Indonesia	Indonesia	Business support services	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 SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

(a) Details of control and subsidiary relationships with the Company as of March 31, 2016 are as follows:, continued

Subsidiaries	March 31, 2016			
	Location	Products or services	Fiscal year	Percentage of ownership (%)
LOTTE Himart Co., Ltd.	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	100.00
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	Hong Kong	Distribution, Real estate development	Dec. 31	100.00
Hong Fung Ltd. and its subsidiaries	Hong Kong	Real estate development	Dec. 31	100.00
Nantong Meili Properties Limited	China	Real estate development	Dec. 31	100.00
Zhuji Decheng Properties Limited	China	Real estate development	Dec. 31	100.00
Nantong Yaodong Properties Limited	China	Real estate development	Dec. 31	100.00
Nantong Fuhua Properties Limited and its subsidiary	China	Real estate development	Dec. 31	100.00
Nantong Jinyou Properties Limited and its subsidiary	China	Real estate development	Dec. 31	100.00
Nantong Branda Properties Limited and its subsidiary	China	Real estate development	Dec. 31	100.00
Nantong Fortune Trade Properties Limited	China	Real estate development	Dec. 31	100.00
Nantong Fine Spring Properties Limited	China	Real estate development	Dec. 31	100.00
Nantong Fine Port Properties Limited and its subsidiary	China	Real estate development	Dec. 31	100.00
Huai An Full Faith Properties Limited	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 SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

(a) Details of control and subsidiary relationships with the Company as of March 31, 2016 are as follows:, continued

Subsidiaries	March 31, 2016			
	Location	Products or services	Fiscal year	Percentage of ownership (%)
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	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	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
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
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	E-commerce business	Dec. 31	100.00

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

- (b) Significant transactions which occurred in the normal course of business with related companies for the three-month periods ended March 31, 2016 and 2015 are summarized as follows:

Related Company	Korean won (millions)				
	2016				
	Sales	Purchases of inventories	Purchases of fixed assets	Other revenue(*)	Other expenses
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 12,583	44	-	-	34,423
Lotte Confectionery Co., Ltd.	3,207	40,361	-	-	1,218
Lotte Chilsung Beverage Co., Ltd.	2,735	17,727	-	-	133
Lotte Engineering & Construction Co., Ltd.	1,739	-	45,915	-	105
Hotel Lotte Pusan Co., Ltd.	1,536	-	-	-	4,688
LOTTE DATA COMMUNICATION COMPANY	433	-	12,129	-	17,397
Korea Fuji Film Co., Ltd.	264	7	-	-	-
Subtotal	22,497	58,139	58,044	-	57,964
Subsidiaries:					
Lotte Card Co., Ltd.	2,427	-	-	122	34,639
Woori Home Shopping & Television Co., Ltd.	66	-	-	-	8,705
Korea Seven Co., Ltd.	1,226	-	-	-	22
LOTTE Himart Co., Ltd.	10,583	-	18	1	32
LOTTE.COM INC.	472	-	-	-	24,099
Others	3,908	2,837	-	7	23,352
Subtotal	18,682	2,837	18	130	90,849
Associates:					
Daehong Communications Co., Ltd.	9,875	-	-	-	10,019
Lotteria Co., Ltd.	4,088	1,367	-	-	45
Lotte Station Building Co., Ltd.	2,782	-	-	-	1,172
Lotte Trading Co., Ltd.	936	44,100	-	-	4
Others	13,673	17,485	-	-	7,750
Subtotal	31,354	62,952	-	-	18,990
Others:					
LOTTE FOOD CO., LTD.	3,089	34,966	-	-	2,115
Lotte Aluminum Co., Ltd.	612	2,728	2,978	-	3,159
Others	11,137	2,570	554	-	55,911
Subtotal	14,838	40,264	3,532	-	61,185
Total	₩ 87,371	164,192	61,594	130	228,988

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the three-month periods ended March 31, 2016 and 2015 are summarized as follows:, continued

Related Company	Korean won (millions)				
	2015				
	Sales	Purchases of inventories	Purchases of fixed assets	Other revenue(*)	Other expenses
Shareholders:					
Hotel Lotte Co., Ltd.	₩ 14,146	34	3,267	-	30,772
Lotte Confectionery Co., Ltd.	3,380	40,113	-	53	1,340
Lotte Chilsung Beverage Co., Ltd.	2,028	11,365	-	18	159
Lotte Engineering & Construction Co., Ltd.	1,448	-	109,289	-	96
Hotel Lotte Pusan Co., Ltd.	1,588	-	-	-	4,968
LOTTE DATA COMMUNICATION COMPANY	1,891	-	25,216	-	18,524
KOREA FUJIFILM CO., LTD.	421	82	-	-	-
Subtotal	24,902	51,594	137,772	71	55,859
Subsidiaries:					
Lotte Card Co., Ltd.	1,427	-	-	184	36,857
Woori Home Shopping & Television Co., Ltd.	180	-	-	-	11,524
Korea Seven Co., Ltd.	984	-	-	-	30
LOTTE Himart Co., Ltd.	9,831	169	2	97	1
Others	10,231	2,341	1,093	117	19,410
Subtotal	22,653	2,510	1,095	398	67,822
Associates:					
Daehong Communications Co., Ltd.	6,935	-	35	-	13,505
Lotteria Co., Ltd.	4,104	1,312	-	-	25
Lotte Station Building Co., Ltd.	3,205	-	-	-	1,470
Lotte Trading Co., Ltd.	1,464	50,103	-	-	3
Others	13,569	11,357	-	1,135	30,497
Subtotal	29,277	62,772	35	1,135	45,500
Others:					
LOTTE FOOD CO., LTD.	2,677	29,918	-	12	1,709
Lotte Aluminium Co., Ltd.	611	2,278	3,949	1	3,745
Others	10,027	3,150	582	9,799	51,257
Subtotal	13,315	35,346	4,531	9,812	56,711
Total	₩ 90,147	152,222	143,433	11,416	225,892

(*) Other revenues include disposal of fixed assets.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

- (c) Significant finance transactions with related companies for the three-month periods ended March 31, 2016 and 2015 are summarized as follows:

Related Company	Korean won (millions)			
	2016	2015		
	Capital increase	Collection	Capital increase	Capital decrease
Subsidiaries:				
Lotte Shopping Holdings (Hong Kong) Co., Limited ₩	41,025	26	-	-
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	-	-	2,173	-
LOTTE.COM INC.	-	-	11,563	-
Lotte Shopping Reit Management Singapore PTE. LTD.	-	-	-	(1,162)
Lotte Ulsan Development Co., Ltd.	10,000	-	-	-
LOTTE CINEMA VIETNAM CO., LTD.	10,299	-	-	-
Subtotal	61,324	26	13,736	(1,162)
Associates:				
Lotte Europe Holdings B.V.	-	-	10,855	-
Lotte Incheon Town Co., Ltd.	-	-	3,450	-
Shandong Longzhile Cinema Co., Ltd.	-	-	437	-
Lotte Asset Development Co., Ltd.	-	-	19,571	-
Capital One Diversity Cinema Fund	-	-	-	(636)
Hemisphere Film Investors II LLC	-	-	-	(3,875)
LOTTE Accelerator Corporation	2,500	-	-	-
BUSAN-LOTTE CREATIVE FILM FUND	2,500	-	-	-
Coralis S.A.	4,474	-	-	-
LOTTE Giants Co., Ltd.	9,000	-	-	-
Subtotal	18,474	-	34,313	(4,511)
Total ₩	79,798	26	48,049	(5,673)

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

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

Related company	Korean won (millions)			
	2016			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Shareholders:				
Hotel Lotte Co., Ltd.	₩ 222	46,631	42	22,521
Lotte Confectionery Co., Ltd.	450	619	19,174	1,457
Lotte Chilsung Beverage Co., Ltd.	241	398	3,000	6,181
Lotte Engineering & Construction Co., Ltd.	-	4,617	-	65,680
Hotel Lotte Pusan Co., Ltd.	16	9,576	-	752
LOTTE DATA COMMUNICATION COMPANY	-	187	-	19,943
Korea Fuji Film Co., Ltd.	5	-	2	578
Subtotal	934	62,028	22,218	117,112
Subsidiaries:				
Lotte Card Co., Ltd.	19,739	197	-	25,813
Woori Home Shopping & Television Co., Ltd.	17,018	178	-	3,016
Korea Seven Co., Ltd.	3	1,211	-	2,141
LOTTE Himart Co., Ltd.	48	3,835	-	4,157
LOTTE.COM INC.	53,369	411	-	1,145
Others	181	12,026	8,667	12,317
Subtotal	90,358	17,858	8,667	48,589
Associates:				
Daehong Communications Co., Ltd.	4,080	995	-	10,727
Lotteria Co., Ltd.	29	262	419	7,739
Lotte Station Building Co., Ltd.	1,938	19,718	-	4,440
Lotte Trading Co., Ltd.	101	610	8,525	-
Others	20	5,366	5,689	19,267
Subtotal	6,168	26,951	14,633	42,173
Others:				
LOTTE FOOD CO., LTD.	841	3,092	11,421	7,599
Lotte Aluminum Co., Ltd.	-	162	214	2,736
Others	470	4,931	207	31,116
Subtotal	1,311	8,185	11,842	41,451
Total	₩ 98,771	115,022	57,360	249,325

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

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

Related company	Korean won (millions)			
	2015			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Shareholders:				
Hotel Lotte Co., Ltd.	₩ 779	53,154	1	26,446
Lotte Confectionery Co., Ltd.	281	1,000	18,911	1,511
Lotte Chilsung Beverage Co., Ltd.	145	1,009	4,832	6,215
Lotte Engineering & Construction Co., Ltd.	-	4,922	-	93,005
Hotel Lotte Pusan Co., Ltd.	-	9,694	3	3,306
LOTTE DATA COMMUNICATION COMPANY	-	322	-	19,764
Korea Fuji Film Co., Ltd.	5	-	-	1,555
Subtotal	1,210	70,101	23,747	151,802
Subsidiaries:				
Lotte Card Co., Ltd.	24,565	1,672	-	37,808
Woori Home Shopping & Television Co., Ltd.	28,042	288	1	4,592
Korea Seven Co., Ltd.	-	550	106	2,043
LOTTE Himart Co., Ltd.	51	11,890	1,210	3,874
LOTTE.COM INC.	61,633	683	-	1,279
Others	35	36,068	11,242	14,710
Subtotal	114,326	51,151	12,559	64,306
Associates:				
Daehong Communications Co., Ltd.	4,679	255	-	6,727
Lotteria Co., Ltd.	2	467	388	8,708
Lotte Station Building Co., Ltd.	7,881	11,571	-	5,122
Lotte Trading Co., Ltd.	20	656	8,132	-
Others	37	3,206	10,068	29,085
Subtotal	12,619	16,155	18,588	49,642
Others:				
LOTTE FOOD CO., LTD.	92	3,059	12,542	8,205
Lotte Aluminum Co., Ltd.	-	188	769	1,507
Others	731	5,160	1,066	30,539
Subtotal	823	8,407	14,377	40,251
Total	₩ 128,978	145,814	69,271	306,001

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

- (e) Key management personnel compensation for the three-month periods ended March 31, 2016 and 2015 are as follows:

		Korean won (millions)	
		2016	2015
Short-term benefits	₩	13,622	11,183
Retirement benefits		1,963	1,797
Other long-term benefits		(23)	31
Total	₩	15,562	13,011

- (f) The Company has provided guarantees for related companies as of March 31, 2016 as follows:

Related company	Guarantee recipient	Type of borrowings	Guaranteed amount (thousands)
Subsidiaries:			
PT. LOTTE Shopping Avenue Indonesia	DBS	Working capital	USD 20,000
	JP Morgan	Working capital	IDR 200,000,000
Lotte Shopping Holdings (Hong Kong) Co., Limited	Standard Chartered Bank Korea Limited.	Working capital	USD 38,136
	BNP Paribas	Working capital	USD 38,135
	Citibank N.A., Hong Kong Branch	Working capital	USD 38,135
	SMBC	Working capital	USD 38,135
	Shinhan Bank	Working capital	HKD 8,000
	HSBC	Working capital	USD 95,298
	ING	Working capital	USD 120,214
Lotte Business Management (Tianjin) Co., Ltd.	DBS	Working capital	CNY 200,000
LOTTE DEPARTMENT STORE (TIANJIN) CO., LTD.	DBS	Working capital	CNY 110,000
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Korea Exchange Bank	Working capital	USD 140,000
	Shinhan Bank	Working capital	USD 50,000
LuckyPai (Shanghai) Trading Co., Ltd.	KEB Hana Bank	Working capital	CNY 58,000
	KEB Hana Bank	Working capital	CNY 39,900
Associates:			
Lotte Shopping RUS Ltd.	Korea Exchange Bank	Working capital	USD 5,000
Shandong Longzhile Cinema Co., Ltd.	Shinhan Bank	Working capital	RMB 24,000
Joint ventures:			
International Business Center Company Limited	The Export-Import Bank of Korea	Working capital	USD 18,500
	KEXIM (Vietnam)	Working capital	USD 1,500
Others:			
Lotte Properties(Shenyang) Limited	The Export-Import Bank of Korea	Working capital	USD 30,500

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

36. Transactions and Balances with Related Companies, Continued

- (g) 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 Company in October 2008.
- (h) The fulfillment of the loyalty contract between Burger King Japan Co., Ltd. and BK Asiapac, Pte. Ltd. was guaranteed by the Company.
- (i) The Company 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.
- (j) 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 26, 2015, which was collateralized with the assets of LOTTE Suwon Station Shopping Town CO., LTD.
- (k) In 2015, Lotte Incheon Town Co., Ltd., which is the Company's associate, entered into a land sale and purchase agreement with the government of Incheon city. As a result of the agreement, the Company collected a security deposit of ₩30.6 billion, which had been paid by the Company instead of Lotte Incheon Town Co., Ltd., from Lotte Incheon Town Co., Ltd.
- (l) 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.
- (m) In 2013, The Company Issued Hybrid securities, among which ₩20,000 million is held by Lotte Non-Life Insurance Co., Ltd.

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management

(a) Management of financial risks

Objectives and Policies of the Company

Risk management activities of the Company identify credit risk, liquidity risk, market risk and any other potential risk that may affect financial performance and by eliminating, avoiding and abating the possible risk level to an acceptable range and to support to a stable and consistent business performance with the intention to contribute to strengthening the Company's competitiveness by reducing cost of finance through improving the financial structure and enhancing efficiency of capital operations.

In order to install and implement the financial risk management system, the Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations in ordinary transaction and investment activity.

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

i) Exposure to credit risk

The book value of a financial asset represents its maximum exposure to credit risk. The maximum exposures to credit risk as of March 31, 2016 and December 31, 2015 are as follows:

Account	Korean won (millions)	
	March 31, 2016	December 31, 2015
Cash equivalents (*1)	₩ 538,733	563,241
Trade and other receivables	435,817	563,375
Other financial assets (current)	635,514	811,586
Other financial assets (non-current) (*2)	946,149	944,120
Total	₩ 2,556,213	2,882,322

(*1) Cash held by the Company 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.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

ii) Impairment loss

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

		Korean won (millions)			
		March 31, 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	₩	422,626	13,191	4,604	440,421
Other financial assets (current)		635,514	-	34	635,548
Other financial assets (non-current)		946,149	-	3,950	950,099
Total	₩	2,004,289	13,191	8,588	2,026,068

(*) The Company sets up an allowance for doubtful accounts 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	₩	549,959	13,416	4,645	568,020
Other financial assets (current)		811,586	-	34	811,620
Other financial assets (non-current)		944,120	-	3,950	948,070
Total	₩	2,305,665	13,416	8,629	2,327,710

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

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

iii) Allowance for doubtful trade and other receivables

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

		Korean won (millions)	
		2016	2015
Balance at beginning of the period	₩	4,645	5,799
Impairment loss		9	225
Reversal of Impairment loss		(13)	(58)
Write-offs		(37)	(1,321)
Balance at end of the period	₩	4,604	4,645

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

		Korean won (millions)	
		2016	2015
Balance at beginning of the period	₩	34	34
Reversal of Impairment loss		-	-
Balance at end of the period	₩	34	34

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

		Korean won (millions)	
		2016	2015
Balance at beginning of the period	₩	3,950	3,950
Impairment loss		-	-
Balance at end of the period	₩	3,950	3,950

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

iv) 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 that are past due as at the end of the reporting period but not impaired are summarized as follows:

		Korean won (millions)				
		March 31, 2016				
Description		Carrying amount	3 months or less	3 ~ 6 months	6 ~ 12 months	More than 1 year
Trade and other receivables	₩	13,191	10,751	1,944	96	400

		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	₩	13,416	9,377	1,549	2,024	466

v) Guarantees

As of March 31, 2016 the Company has provided financial guarantees to associates and joint ventures and other related companies. Should the Company be liable for payment upon defaults of the subsidiaries, associates and joint ventures, other related companies, the expected amounts which the Company is liable to pay within 1 year are ₩826,117 million.

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

Liquidity Risks

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

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

Also, the Company currently deposits a considerable amount with financial institutions with high credit ratings to make proper provisions for potential liquidity risks. The Company 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 Company 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 March 31, 2016 are as follows:

		Korean won (millions)					
Account		Carrying amount	Contractual cash flows	3 months or less	3 ~ 6 months	6 ~ 12 months	More than 1 year
Current portion of borrowings and debentures	₩	892,766	906,277	485,609	319,361	101,307	-
Trade and other payables		3,474,785	3,474,785	3,474,785	-	-	-
Other financial liabilities (current) (*)		290,308	290,578	120,001	4,065	166,512	-
Borrowings and debentures		3,468,042	3,730,351	23,834	16,816	42,994	3,646,707
Other financial liabilities (non-current)		99,006	106,679	1,657	1,373	1,783	101,866
Total	₩	8,224,907	8,508,670	4,105,886	341,615	312,596	3,748,573

(*) Embedded derivative financial liabilities are excluded in the maturity analysis.

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

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. 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 Company'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 return.

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

i) Currency risk

The Company is exposed to currency risk on borrowings and debentures that are denominated in a currency other than the respective functional currencies of the Company. 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 Company enters into currency swap transactions with financial institutions to hedge currency risks of foreign currency denominated borrowings and debentures. When the Company needs foreign currencies, the Company enters into a forward exchange contract with major financial institutions to avoid the risks of exchange rate fluctuations. As of March 31, 2016, all of the Company's borrowings except the long-term borrowing from Lotte Co., Ltd. (Japan) are hedged against currency risks.

Assets and liabilities denominated in foreign currencies other than the Company's functional currencies as of March 31, 2016 and December 31, 2015 are as follows:

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		Assets	Liabilities	Assets	Liabilities
USD	₩	5,520	1,983,162	6,641	1,780,349
EUR		182	2,165	65	2,191
JPY		-	200,689	-	188,301
IDR		170	-	181	-
HKD		12	-	12	-
CNY		246	-	440	-
Total	₩	6,130	2,186,016	7,339	1,970,841

LOTTE SHOPPING CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

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

		Average rate		Closing rate	
		2016	2015	March 31, 2016	December 31, 2015
USD	₩	1,201.44	1,100.26	1,153.50	1,172.00
EUR		1,324.87	1,239.34	1,307.43	1,280.53
JPY		10.4281	9.2339	10.2602	9.7201
IDR		0.0889	0.0860	0.0869	0.0850
HKD		154.54	141.86	148.77	151.21
CNY (*)		183.17	176.45	177.69	180.55

(*) The Company 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 Company applies direct CNH/KRW exchange rate in translation from January 1, 2016.

The Company regularly measures exchange risks on Korean won against foreign currency fluctuations. The Company 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 March 31, 2016 and December 31, 2015 are summarized as follows:

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	539	(539)	663	(663)
EUR		(198)	198	(212)	212
JPY		(10,410)	10,410	(9,720)	9,720
IDR		17	(17)	18	(18)
HKD		1	(1)	1	(1)
CNY		25	(25)	44	(44)
Total	₩	(10,026)	10,026	(9,206)	9,206

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 functional currency, as of March 31, 2016 and December 31, 2015.

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

ii) Interest rate risk

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

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

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Variable rate instruments:			
Financial assets	₩	50,700	53,950
Financial liabilities		1,340,289	1,117,141

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

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		100bps up	100bps down	100bps up	100bps down
Interest income	₩	507	(507)	540	(540)
Interest expense		1,026	(1,026)	972	(972)

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

LOTTE SHOPPING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

March 31, 2016 and 2015

37. Risk Management, Continued

(a) Management of financial risks, continued

iii) Price risk

The Company 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 March 31, 2016 and December 31, 2015 are ₩193,808 million and ₩171,174 million, respectively.

The Company 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 March 31, 2016 and December 31, 2015 are as summarized as follows:

		Korean won (millions)			
		March 31, 2016		December 31, 2015	
		10% increase	10% decrease	10% increase	10% decrease
Other comprehensive income	₩	19,381	(19,381)	17,117	(17,117)

(b) Capital Management

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

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

		Korean won (millions)	
		March 31, 2016	December 31, 2015
Liabilities (a)	₩	10,254,926	10,488,999
Equity (b)		15,572,856	15,531,707
Financial instruments (*) (c)		1,032,786	1,218,592
Borrowings (d)		4,360,808	4,434,108
Liabilities to equity ratio (a/b)		65.85%	67.53%
Net borrowings to equity ratio ((d-c)/b)		21.37%	20.70%

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