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## LOTTE SHOPPING CO., LTD

News Release: IMMEDIATE RELEASE

# Lotte Shopping, Sale and lease back valued at KRW 600 billion

- Sales of 7 stores including department stores and hypermarkets through sales & leaseback arrangement... Contract to be entered into with KB Asset Management on the 18th
- For the purposes of improvement of financial structure and enhancement of asset efficiency
- Sales & leaseback arrangement with application of the market interest for the first time in Korea ... Structure of fluctuating lease fees at every 7-year interval

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**Lotte Shopping entered into and executed Asset-Backed Securitization contract with the KB Asset Management for sales of a total of 7 stores including 2 department stores and 5 hypermarkets on the 18<sup>th</sup> (Monday).** This asset sales, with total value of 601.7 billion Won, includes department stores in Ilsan and Sangin, and hypermarkets in Bupyeong, Dangjin, Pyeongtaek, Goyang and Gumi. The sales & leaseback format was applied to the sales scheme to enable Lotte Shopping to lease the outlets back for operation and management even after having sold them. Lotte Shopping has been continuously reviewing the Asset-Backed Securitization of key outlets for some time in order to improve the financial structure and enhance the asset efficiency.

**Lotte Shopping was successful in drawing out an agreement on the change of lease fees at every 7-year interval for this Asset-Backed Securitization rather than the existing and generally applied format of annual increase in lease fees.** While the existing and generally applied format of asset-back securitization of increasing the lease fees annually at fixed rate, **the format of Asset-Backed Securitization that Lotte Shopping has adopted applies new lease**

**fees at every 7-year interval with consideration of the market interest rate, which was the first time in Korea. Accordingly, there are advantages of achieving reduction in expenditure from the perspective of Lotte Shopping and stable income generation from the perspective of the investors.** Lotte Shopping will be paying fixed lease fee at the rate of 4.95% per annum for the 1<sup>st</sup> ~ 7<sup>th</sup> year, and the lease fees to be paid for the next 20 years is forecast to be in the low to mid 5% range. This Asset-Backed Securitization of Lotte Shopping is seen as a highly attractive arrangement from the viewpoint that it is a quite stable real estate investment opportunity despite the low growth conditions of the market.

Chang, Ho Joo, the CFO of Lotte Shopping, stated that, “this Asset-Backed Securitization under sales & leaseback arrangement will be recorded as a ground-breaking transaction in the sense that it allows stabilized business operation through execution of 20-year long term lease contract and applied the format that can satisfy both Lotte Shopping and the investors through lease fee payment structure linked with the interest rate.”

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Lotte Shopping (KOSPI: 023530) is a leading global retail corporate with assets of KRW 38,973 billion and operations worldwide. Lotte Shopping operates a wide variety of businesses, ranging from department stores, hypermarkets, supermarkets, finance, consumer electronics, convenience stores and home shopping. Lotte Shopping was incorporated in Dow Jones Sustainability Index World Sector since 2009 and was named the Supersector Leader in the retail category. Information about Lotte Shopping is available at [www.lotteshoppingir.com/eng/index.jsp](http://www.lotteshoppingir.com/eng/index.jsp).