



LOTTE REIT IR

Disclaimer

This presentation has been prepared solely for information purposes to investors. The information contained in this presentation has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such information or any opinion contained herein. The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of the presentation.

The presentation may contain forward-looking statements. These forward-looking statements are based on a number of assumptions about the future and are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. The presenters do not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

Certain data in this presentation were obtained from various external data sources, which have not been independently verified. Accordingly, no representation is made as to the accuracy or completeness of those data, and such data involve risks and uncertainties and are subject to change based on various factors.

All or any part of this presentation may not be taken away, reproduced, redistributed or retransmitted in any manner. The information provided herein shall be kept confidential unless such information is already publicly available.

By attending this presentation, you are agreeing to be bound by the foregoing limitations.

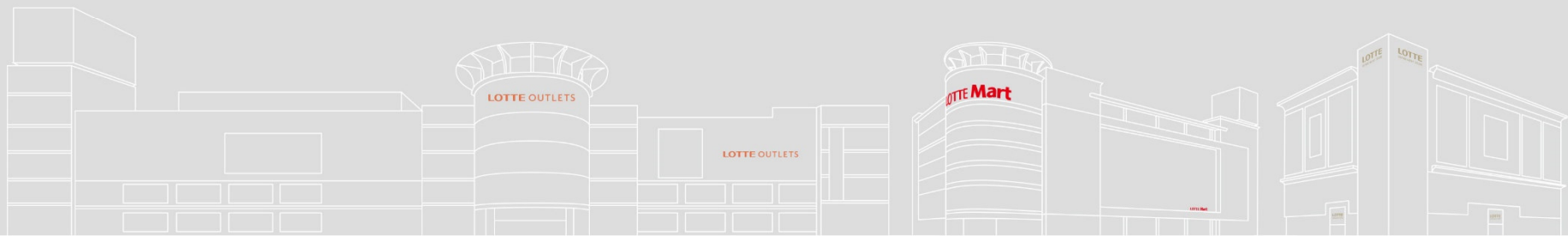
Contents



Chapter 1. **Lease status and operating performance**

Chapter 2. **Business strategy**

Chapter 3. **Incorporation of additional asset**



Grown to be Korea's largest listed REIT with biggest AUM

Value of Asset



2.3KRWtn

No. of Asset



14

Div. Yield¹⁾ ('2020)



6.5%

Vacancy rate



0%

LTV²⁾



48.8%

Avg. debt funding
cost (FV)



2.05%

Credit rating (secured bond)



AA-
(stable)

INDEX

FTSE All Cap
MSCI Small Cap
S&P Global REIT etc.

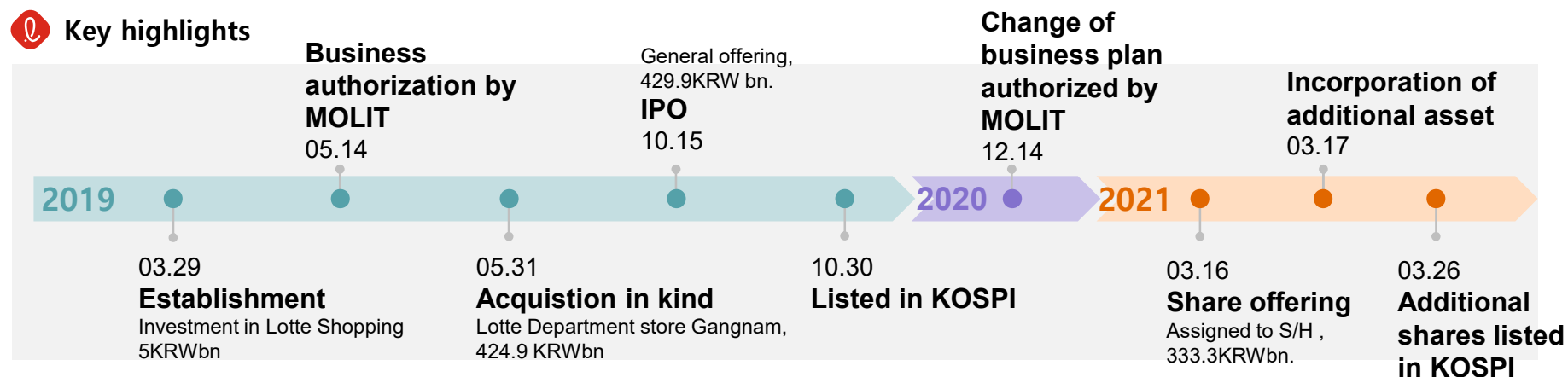
Note: 1. Equity based dividend yield in 2020.(Total dividend payment 55.6KRWbn / Equity 859.9KRWbn); 2. Excluding rent deposit

2

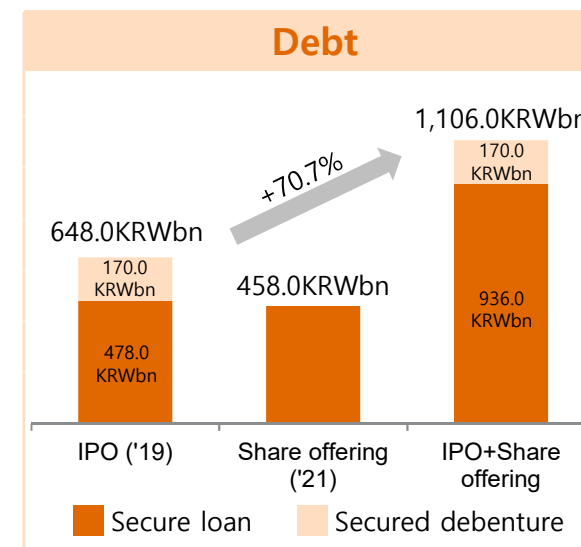
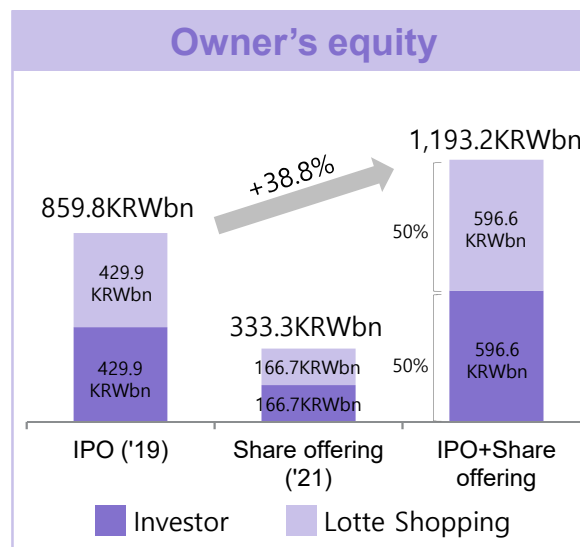
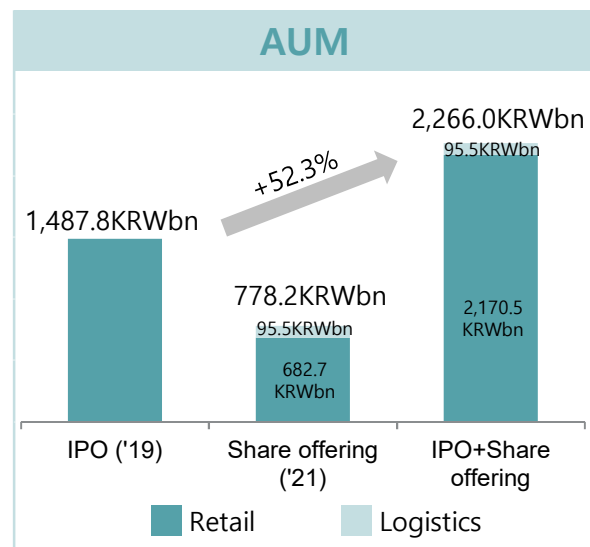
Key highlights & investment overview



Key highlights



Investment overview



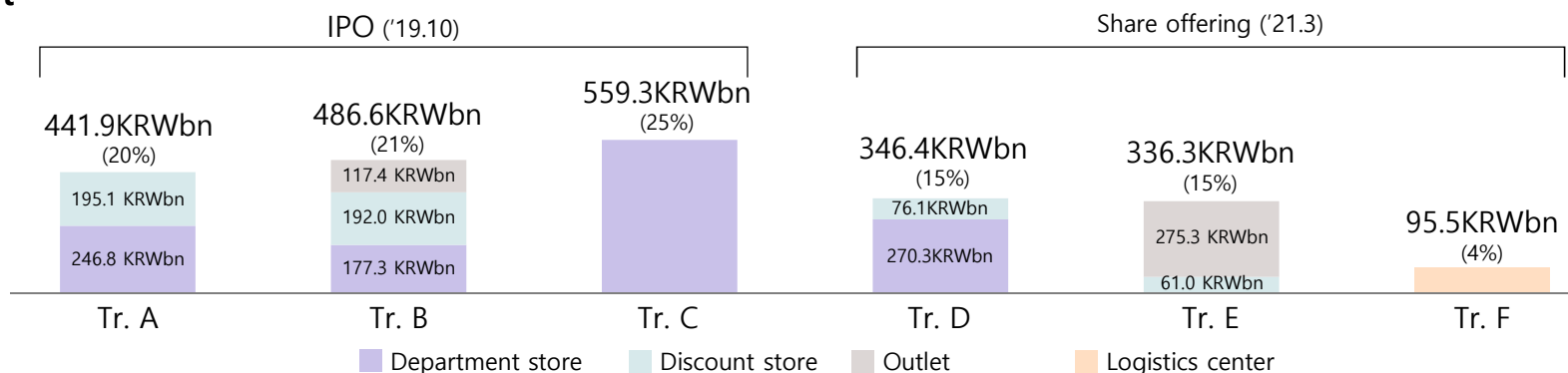
3

Lease status

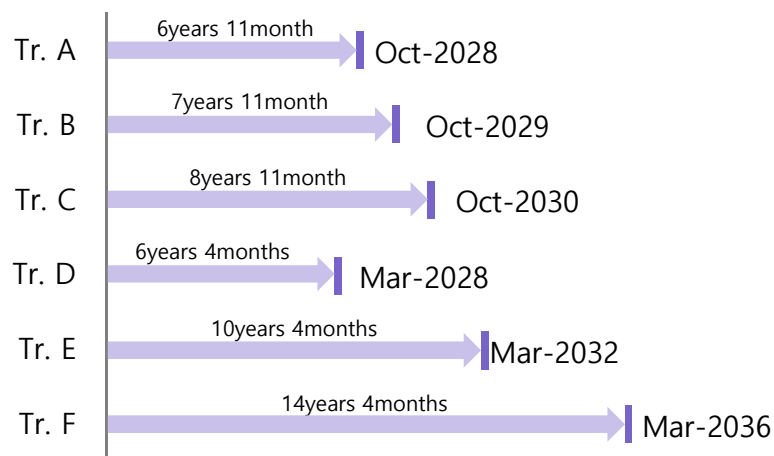


- Managed assets contracts are signed under Master Lease Agreement (100% Triple-net structure), constituted of 6 tranches.

Asset



Lease expiration¹⁾



Source: Company information

Note: 1. Remaining lease period for each tranche (as of Nov. 2021); 2. Weighted average rent of each asset (Tr. A ~ C)

Terms & conditions

	IPO	Raise in capital	
Asset type	Retail (Tr. A, B, C)	Retail (Tr. D, E)	Logistics center (Tr. F)
First year terms	5% of selling price ²⁾	<ul style="list-style-type: none">• Fixed rent : 3.8% of selling price• Floating rent : 0.45% of previous year sales revenue	4.5% of selling price
Annual Rent escalation	1.5% annum	Previous year CPI (Fixed)	
Maintenance cost	Triple net (Sponsor to pay or reimburse insurance fee, taxes, maintenance and repair expenses)		

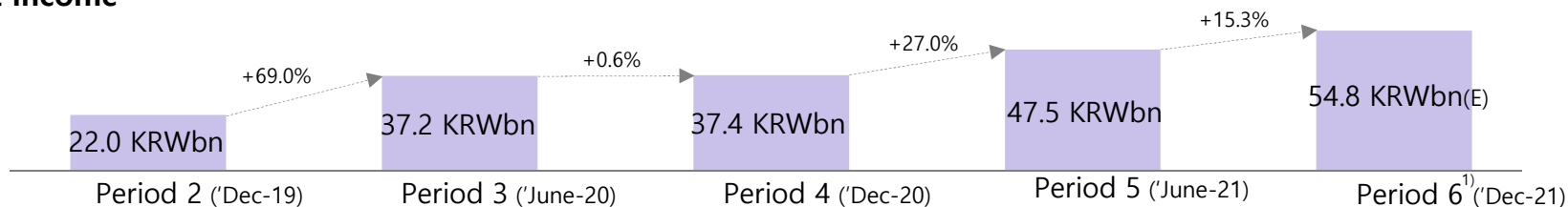
4

Operating performance

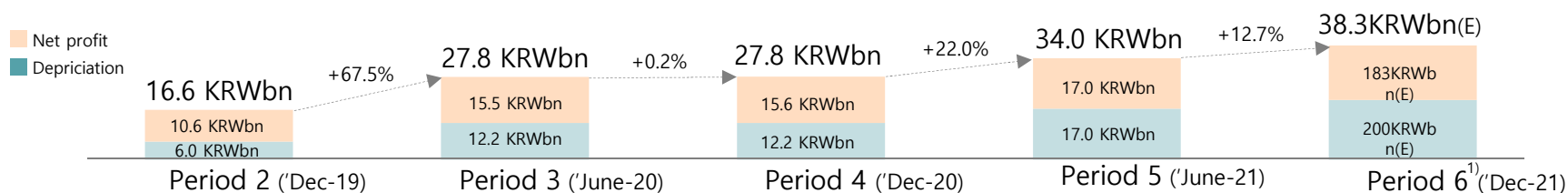


- Reserved strong dividend stability through maintaining dividend yield of over 6% after period 3.

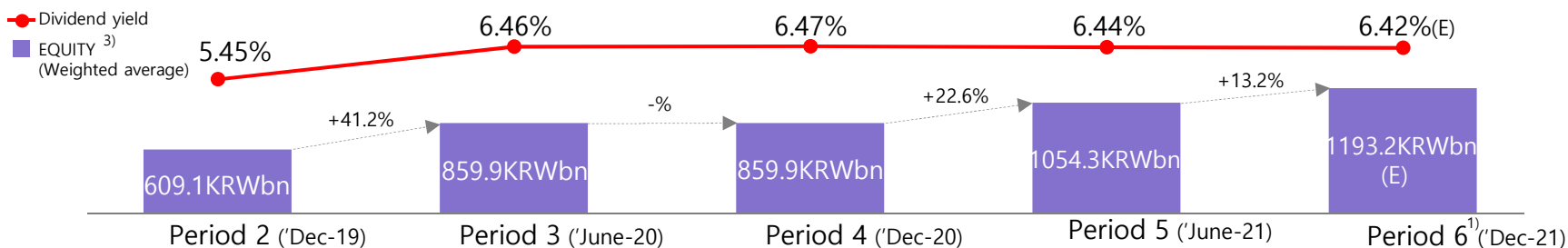
Rent income



Dividend



Dividend yield²⁾



Note: 1. Results may change as period 6 results are based on company expectation to be confirmed only after end of period.

2. Dividend yields are in annual terms and are based on equity after considering changes in no. of shares during the fiscal year. Total dividend payment / Equity;

3. For changes in total equity due to events such share offering, each equity periods are applied weighted average method.

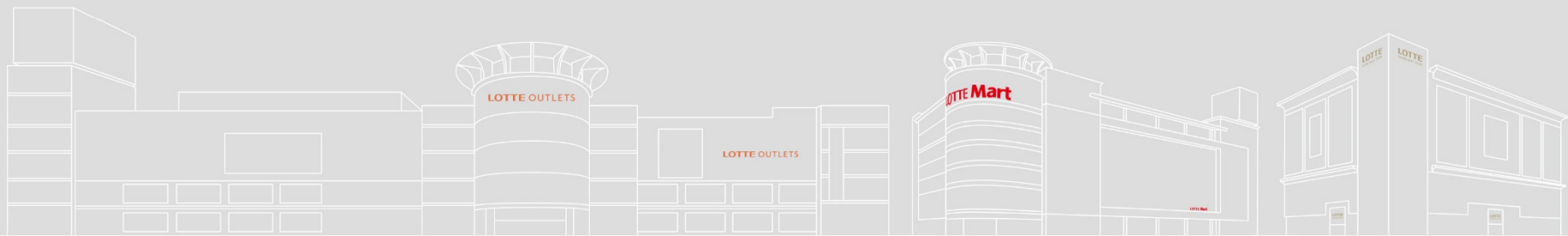
Contents



Chapter 1. Lease status and operating performance

Chapter 2. **Business strategy**

Chapter 3. Incorporation of additional asset



1

Stable Rental Income with Upside Potential

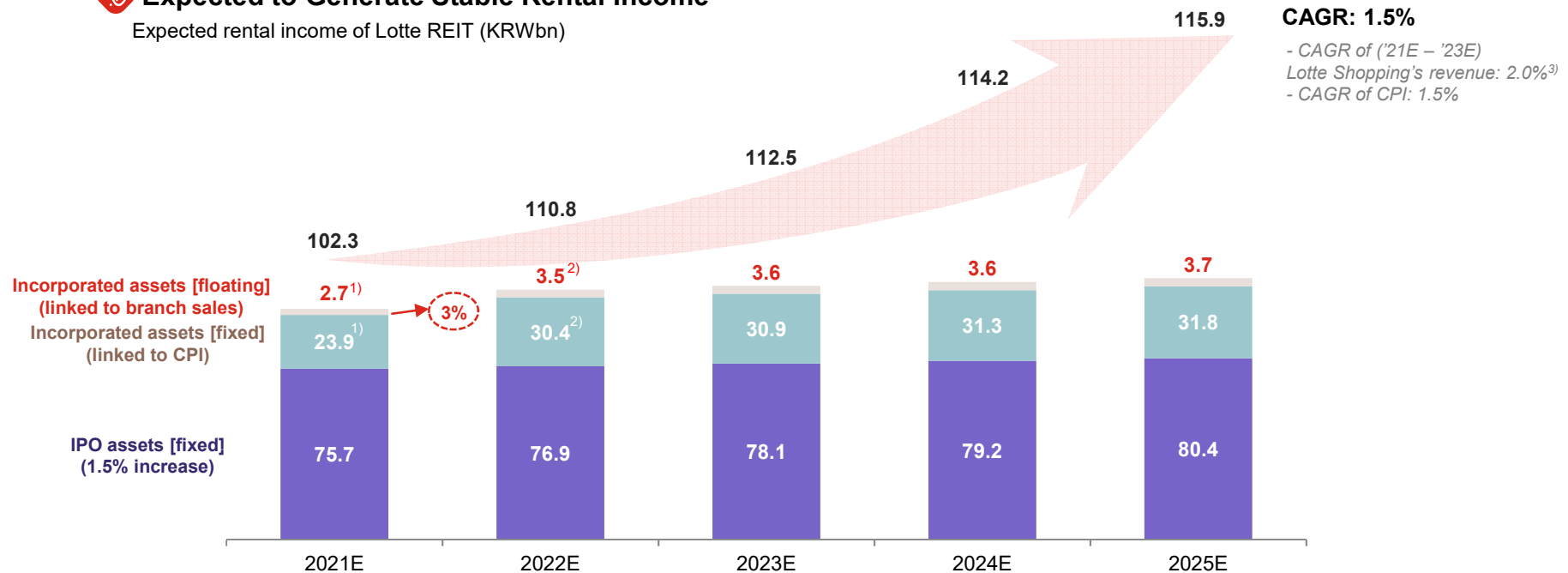


- Achieve sustained growth through a high proportion of fixed rental income (97%) and stable rent escalation terms
- Minimize rental income volatility with 3% of rental income linked to sales
- Potential upside in rental income by setting the sales in 2020A as the base for the floating rent scheme, which is thought to be at a low-point due to the impact of COVID-19
- Establish a solid foundation for Lotte REIT's growth by incorporating additional assets and promoting development projects, made possible through stable cash flow generation



Expected to Generate Stable Rental Income

Expected rental income of Lotte REIT (KRWbn)



Source: Company information, Company filing, Earnings release, Factset

Note: 1. Rental income during March 17th, 2021 to December 31st, 2021 reflected; 2. Reflected rental income increase as of March 17th, 2022; 3. Broker consensus (data collected on August 19th, 2021, Eugene Securities, Samsung Securities, eBest Securities, DB Financial Investment, NH Investment & Securities, Yuanta Securities Korea, HI Investment & Securities, Kyobo Securities, KB Securities, Hyundai Motor Securities, KTB Investment, Daishin Securities, Kiwoom Securities, IBK Securities)

- Lotte Shopping to achieve revenue and business growth by expanding Lotte Mart's distribution base branches (smart store¹), semi-dark store²) in order to strengthen its competitiveness in e-commerce centric online delivery market in response to surge in untact consumption
- Sequential expansion of distribution base branches with on / offline order processing capabilities could lead to increase in retail asset value and stable rental income in case of sales increase
 - Lotte Mart Uiwang branch adopted a semi-dark store system in January 2021; Lotte Mart Chuncheon branch scheduled to turn into a smart store in December 2021

Conversion of Physical Stores into Online Distribution Base with Cutting-edge IT technology

Digitalized experiential marketing in Lotte Mart

Lotte Mart Smart Store¹

Electronic Shelf Label (ESL)
Product details, promotion

Efficient delivery system

Smart pay system in Lotte Mart GO app

Online / Offline integrated store equipped with packing facilities

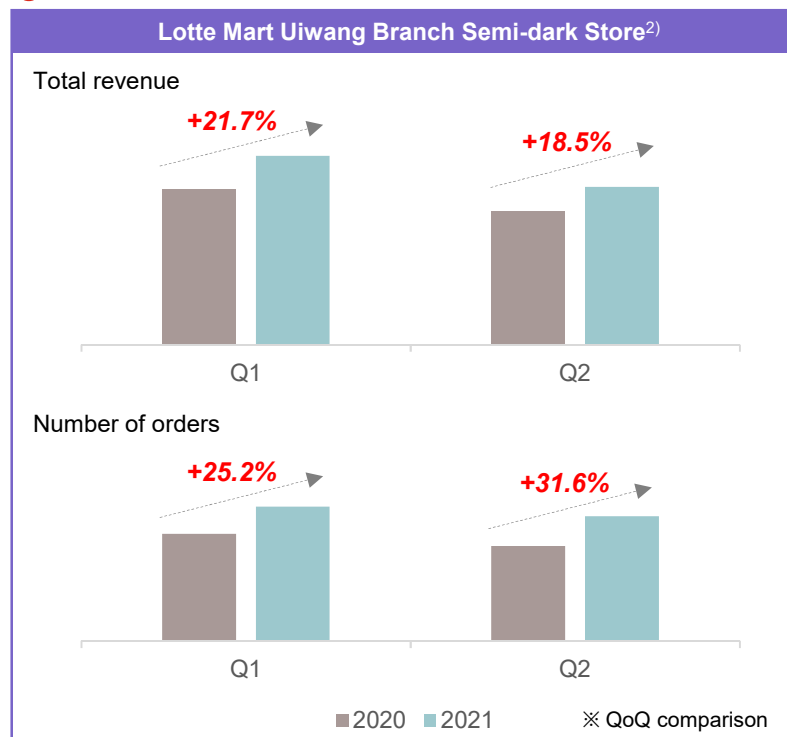
Lotte Mart Semi-dark Store²

Online order

Pick-up of goods ordered online

Product packing (Scan & labelling)

Performance of Major Logistic Base



Source: Company information

Note: 1. Smart store has automated rails on store ceiling that move to perform all tasks including product selection, sorting, and packaging; 2. Semi-dark store focuses on pre-delivery packing stage with core automation facilities established in shop rear, and conducts store operation simultaneously; it can be defined as an offline store with some automated equipment available for online order processing in contrast with a fully automated smart store

3

Financing in Response to Changes in Market Environment



- Maintain healthy financial structure compared to listed peer REITs through low LTV and debt financing cost
- Successful track record of issuing KRW170bn corporate bond based on its robust credit rating of AA-
- Able to maintain dividend yield through increase in rental income and additional issuance of corporate bonds even when there's a rate hike

Stable Dividends Even When Interest Rate Rises

Expected impact of potential rate hike in 2022 and countermeasure

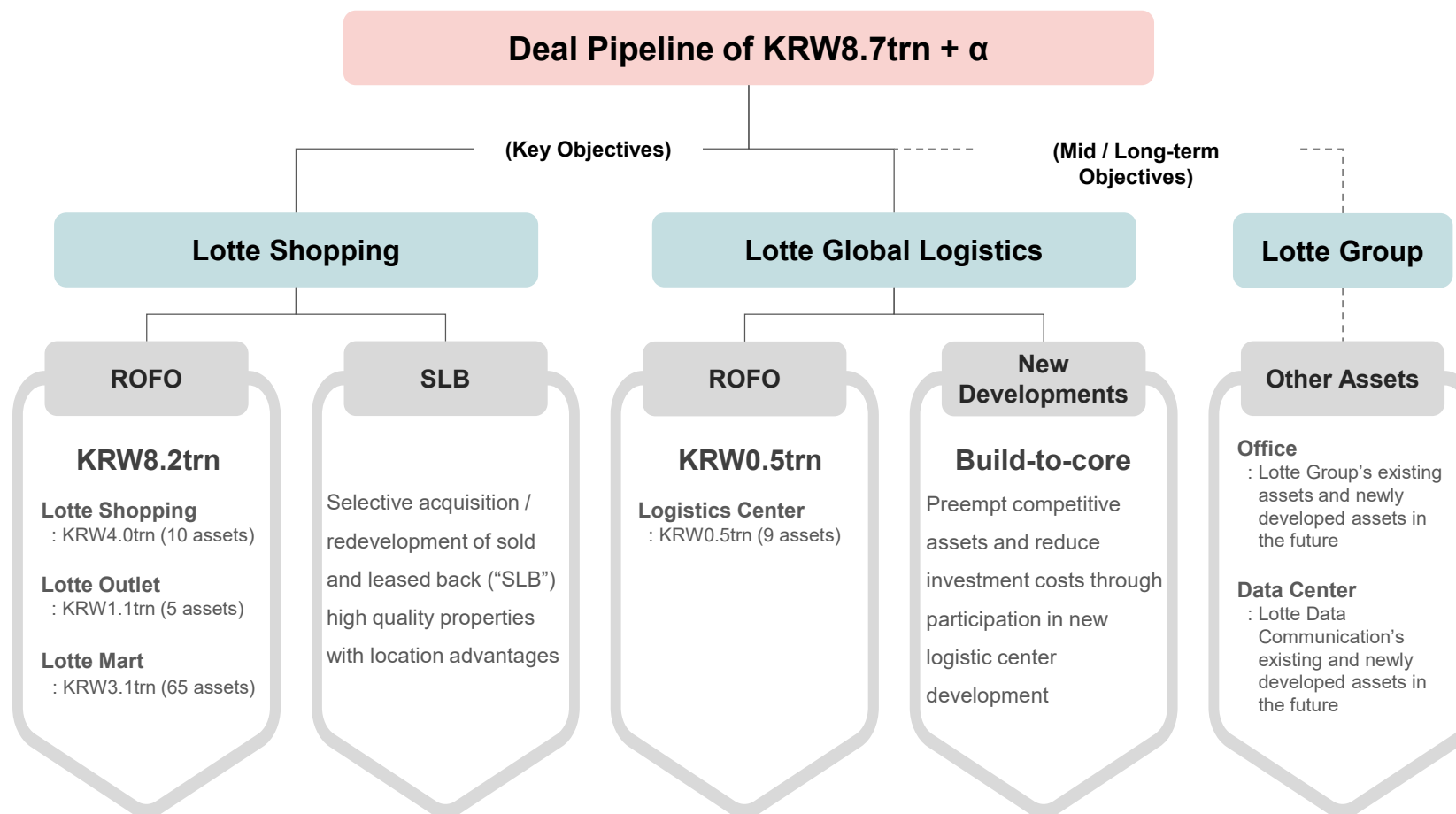
(KRWbn)

Category	Current Status (Expected 6 th Period)	Impact of 0.50%p Increase in Interest Rate	Countermeasure	
			Increase in Rental Income (+1.5%)	Decrease in Interest Expense (Issuance of Additional Corporate Bonds)
Revenue	56.1		+0.8	
Interest Expense (All-in Cost)	14.6	+0.4 (※ Corporate bond maturing in 2022, KRW170bn)		
		+1.2 (※ Secured loan maturing in 2022, KRW478bn)		▲ 0.8 (※ Reflecting KRW200bn corporate bond issuance)
Net Profit Available for Distribution	38.2	▲ 1.6	+0.8	+0.8
Dividend Yield	6.4%	6.1% (▲ 0.3%p)	6.4%	

Source: Company information

※ Reflecting corporate bond interest rate compared to secured loan - ▲0.93%p (Real Internal All-in Cost reflected)

- Long-term growth potential based on ROFO on Lotte Shopping's retail assets and Lotte Global Logistics' logistic properties
- Growth as a global mega REIT with largest AUM in Korea through continuous acquisition of quality assets



※ Asset number and book value at time of ROFO contract signing, excluding assets incorporated in March, 2021

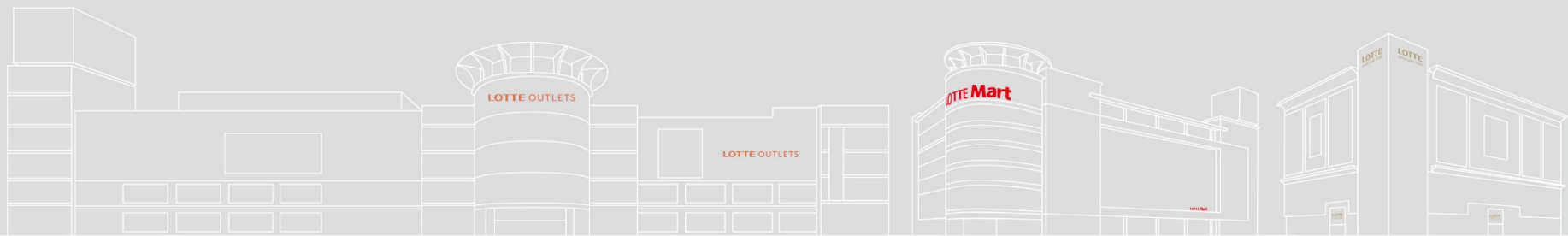
Contents



Chapter 1. Lease status and operating performance

Chapter 2. **Business strategy**

Chapter 3. **Incorporation of additional asset**





Investment Highlights



Signal for Expansion of Potential Asset Pool

- Expansion of potential asset pool beyond KRW8.7trn worth of Lotte Group's (Lotte Shopping, Lotte Global Logistics) real estate assets secured through ROFO¹⁾
- Selective incorporation of externally-owned assets with favorable operating performance located in areas with value enhancement potential
- Stable lease structure maintained under master lease and Triple Net expense structure



Stable Rental Income Expected from Lotte Mart Yangpyeong Branch

- Yangpyeong has a population of 120k, and the population growth rate²⁾ is 1.6 times the 10-year average of Gyeonggi Province
- Improving accessibility to Seoul / metropolitan area with a number of new expressway openings
- Positioned as sole hypermarket in an up-and-coming commercial hub with large-scale sales facilities
- Continued sales growth since its opening in 2018 with further hike anticipated from increase in number of residential households



Shareholder Profit Maximization through Strategic Financing

- Aims to achieve higher level of distributable profit without capital increase through bond issuance and use of surplus fund
- Competitive financing through issuance of low interest corporate bond based on Lotte REIT's excellent credit (AA- rating based on secured loan)

1

Asset Overview



Building Overview (Based on Building Register)

Name	Lotte Mart Yangpyeong Branch
Address	76, Nambuk-ro, Yangpyeong-eup, Yangpyeong-gun, Gyeonggi-do
Region/ District	Urban Area, Natural Green Area, Nature Conservation Zone
Site Area	6,473.00m ²
GFA ¹⁾	9,977.31m ²
Size	2 stories above ground / 2 underground levels
Floor Area Ratio	36.43% (Legal: 100%)
Building Coverage Ratio	19.41% (Legal: 20%)
Purpose	Large-scale stores
# of Parking Spaces	143 (Outdoor self-propelled parking lot)
Structure	Reinforced concrete
Completion Date	January, 2018

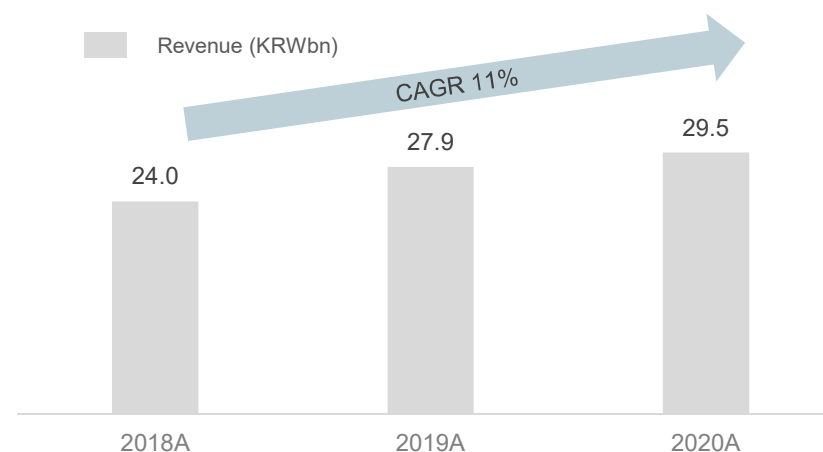
Note: 1. Gross Floor Area



Site Photo



Branch Revenue

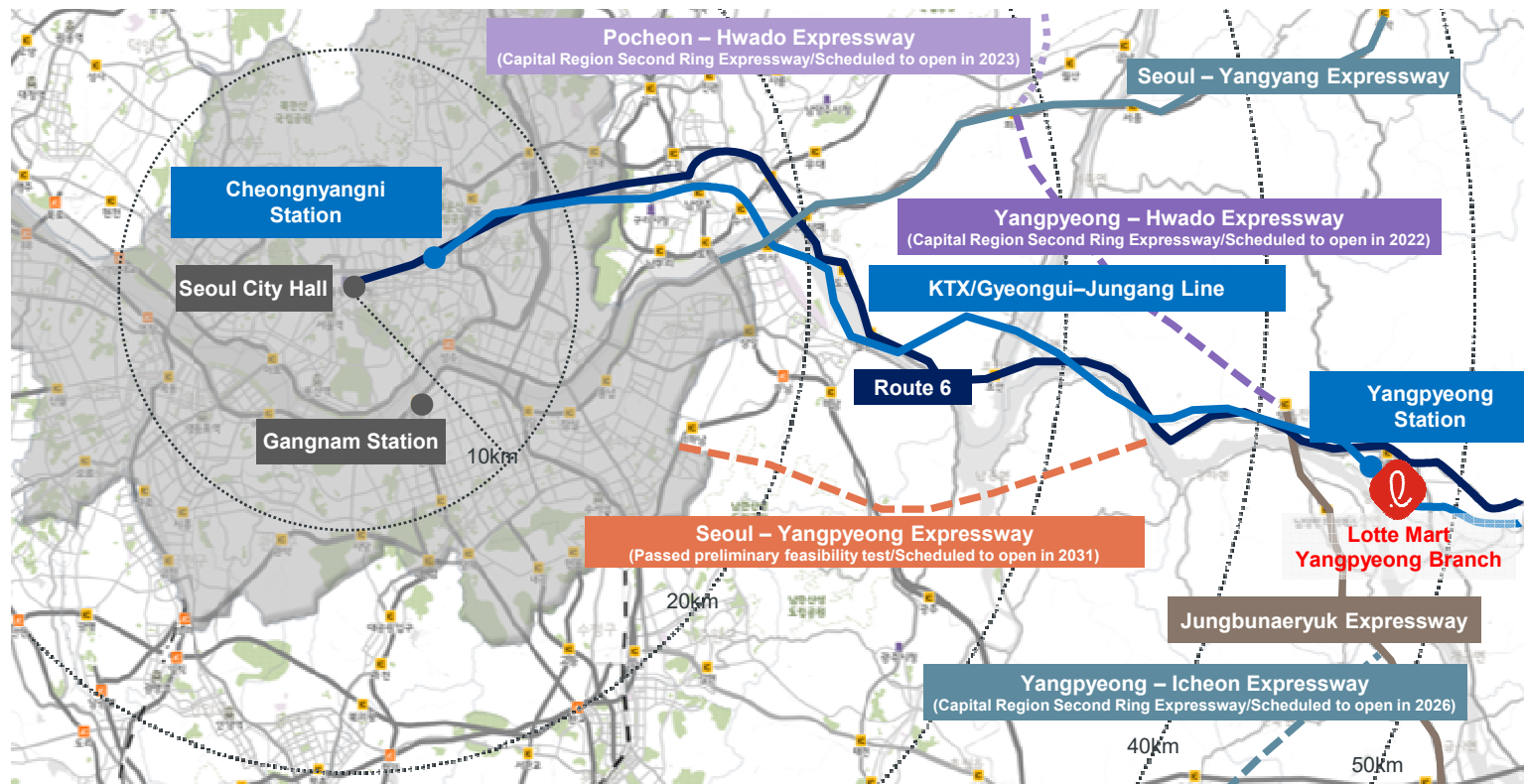


2

Location Overview (1) Transportation

- Lotte Mart Yangpyeong Branch is 47km (75-minute drive) from Seoul City Hall, and 42km (70-minute drive) from Gangnam Station
- Transport from Cheongnyangni Station to Yangpyeong Station takes **25 minutes by KTX** and 69 minutes by Gyeongui–Jungang Line
- Transportation network that offers a greater accessibility to Seoul / metropolitan area is scheduled to open (**Capital Region Second Ring Expressway and Seoul–Yangpyeong Expressway**)

Transportation Overview



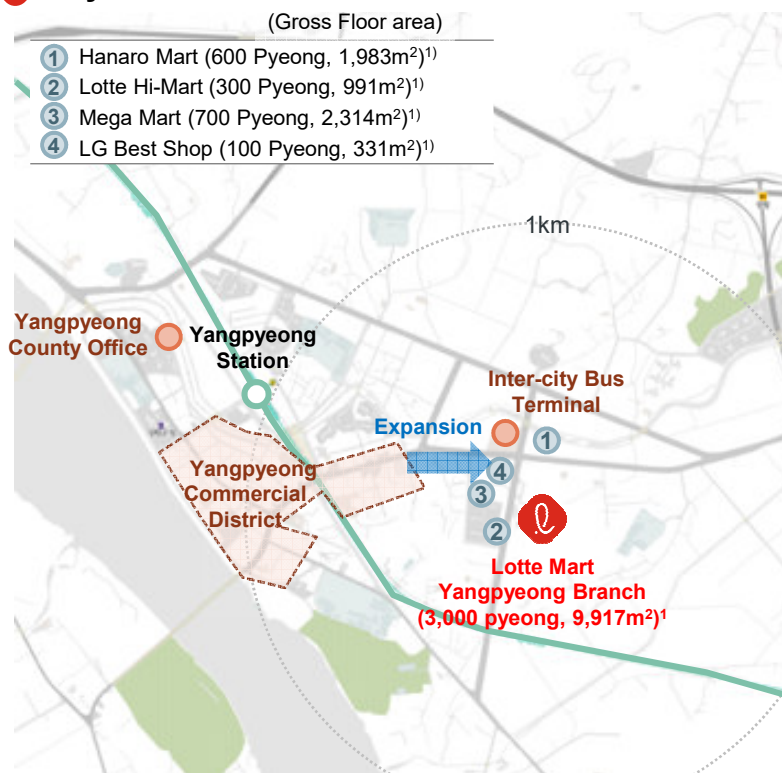
2

Location Overview (2) Surrounding Area

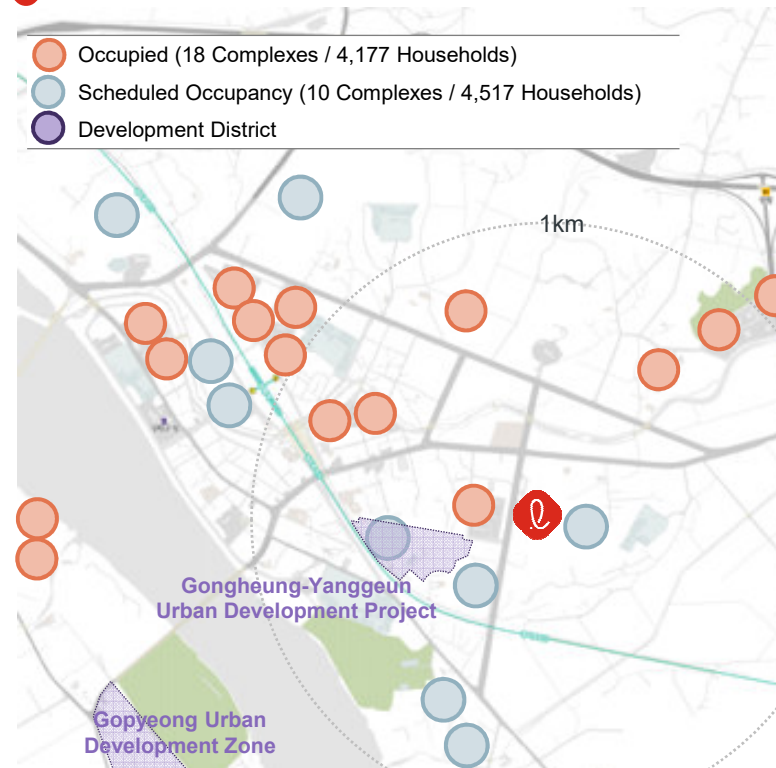


- The commercial district around Yangpyeong station is expanding to areas near Lotte Mart Yangpyeong branch where large-scale sales facilities are concentrated
- Sufficient demand from 4,000 households within a 2km radius is expected to increase further with an additional 4,000 households from scheduled urban development projects including Gongheung-Yanggeun project

Key Facilities



Residential Area



Note: 1. Applied Pyeong to m² conversion rate of 1 Pyeong = 3.3058m²

3

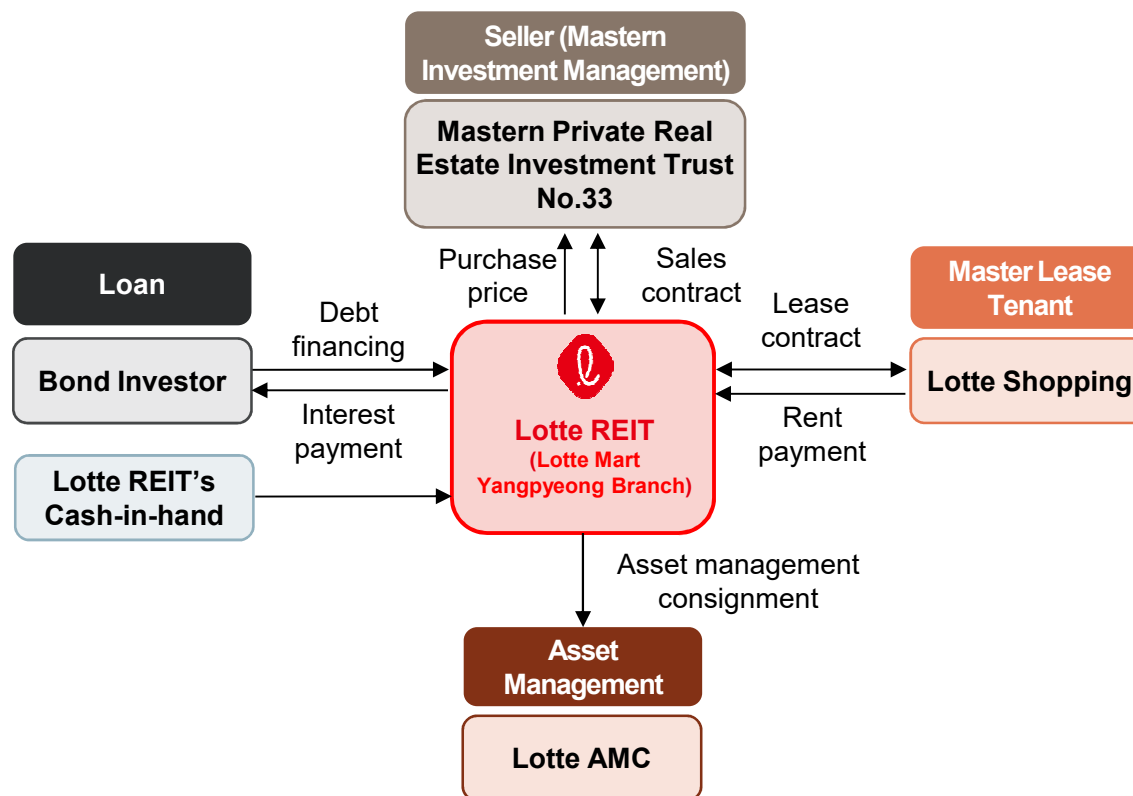
Investment Structure



- Lotte REIT intends to provide long-term, stable dividend income to investors by purchasing / operating a retail asset (Seller: Mastern Private Real Estate Investment Trust No.33; Tenant: Lotte Shopping) in metropolitan area
- Lotte REIT plans to promote asset incorporation without capital increase through corporate bond issuance based on its excellent credit and use of surplus fund from Gangnam branch acquisition tax refund

Financing & Investment Structure

Investment (KRW36.8bn)	Financing (KRW36.8bn)
<div>Acquisition Price (KRW34.6bn)</div> <div>Related Expenses (KRW2.1bn)</div> <div>Reserve Capital (KRW0.5bn)</div>	<div>Corporate Bonds (KRW31.0bn) * non-guaranteed</div> <div>Security Deposits (KRW1.5bn)</div> <div>Lotte REIT 's Cash-in-hand (KRW4.3bn)</div>

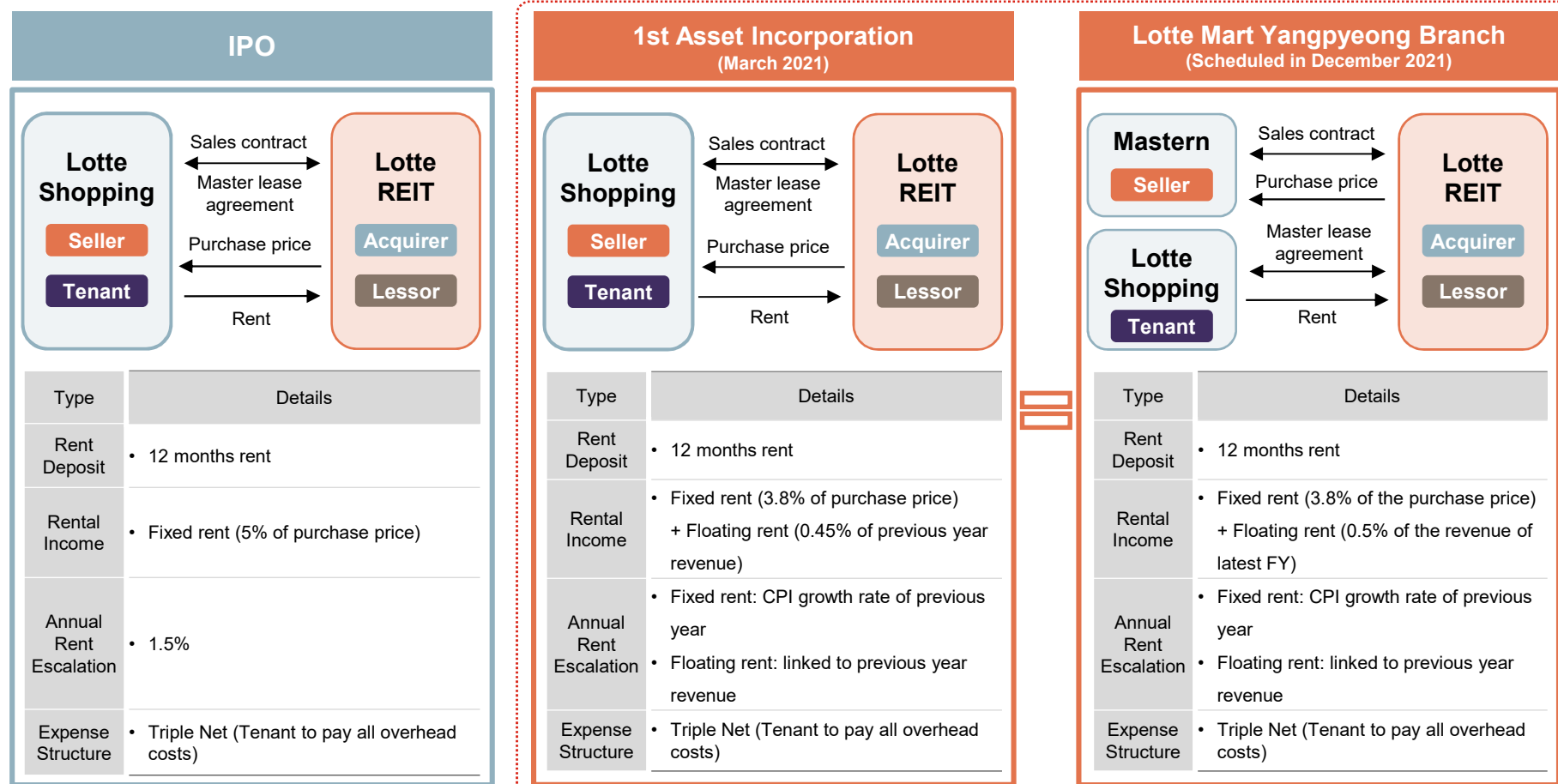


4

Lease Agreement Terms and Conditions



- Lotte Mart Gyeonggi Yangpyeong branch plans to sign a master lease contract with Lotte Shopping under the same lease terms as the previous asset incorporation round in March 2021 (acquisition of 6 assets)



5

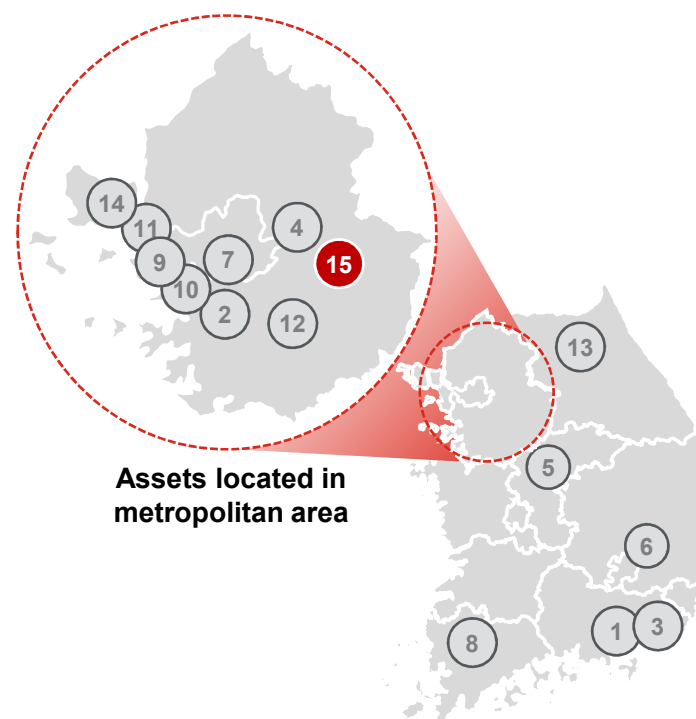
Tranche Overview



- Upon inclusion of the asset in metropolitan area, **65% of total portfolio assets are located in metropolitan area** based on appraisal value

(KRWbn)	Tranche A	Tranche B	Tranche C
Proposed Acquisition Assets	① Lotte Department Store (Changwon) ② Lotte Mart (Uiwang) ③ Lotte Mart (Jangyu)	④ Lotte Department Store (Guri) ⑤ Lotte Mart (Seocheongju) & Outlet (Cheongju) ⑥ Lotte Mart & Outlet (Yulha)	⑦ Lotte Department Store (Gangnam) ⑧ Lotte Department Store (Gwangju)
Acquisition Price	441.9	486.7	559.3
% of Total Portfolio by Acquisition Price	19.2%	21.2%	24.3%
Lease Term (Remaining Term¹⁾)	9 years (6 years and 11 months)	10 years (7 years and 11 months)	11 years (8 years and 11 months)
Rental Income²⁾	22.1	25.4	28.2

(KRWbn)	Tranche D	Tranche E	Tranche F
Proposed Acquisition Assets	⑨ Lotte Department Store (Jungdong) ⑩ Lotte Department Store (Ansan) ⑪ Lotte Mart (Gyeyang) ⑮ Lotte Mart (Yangpyeong)	⑫ Lotte Premium Outlet (Icheon) ⑬ Lotte Mart (Chuncheon)	⑭ Lotte Mart Mall Gimpo Logistics Center
Acquisition Price	381.0	336.3	95.5
% of Total Portfolio by Acquisition Price	16.6%	14.6%	4.2%
Lease Term (Remaining Term¹⁾)	7 years (6 years and 4 months)	11 years (10 years and 4 months)	15 years (14 years and 4 months)
Rental Income²⁾	16.5	14.3	4.3



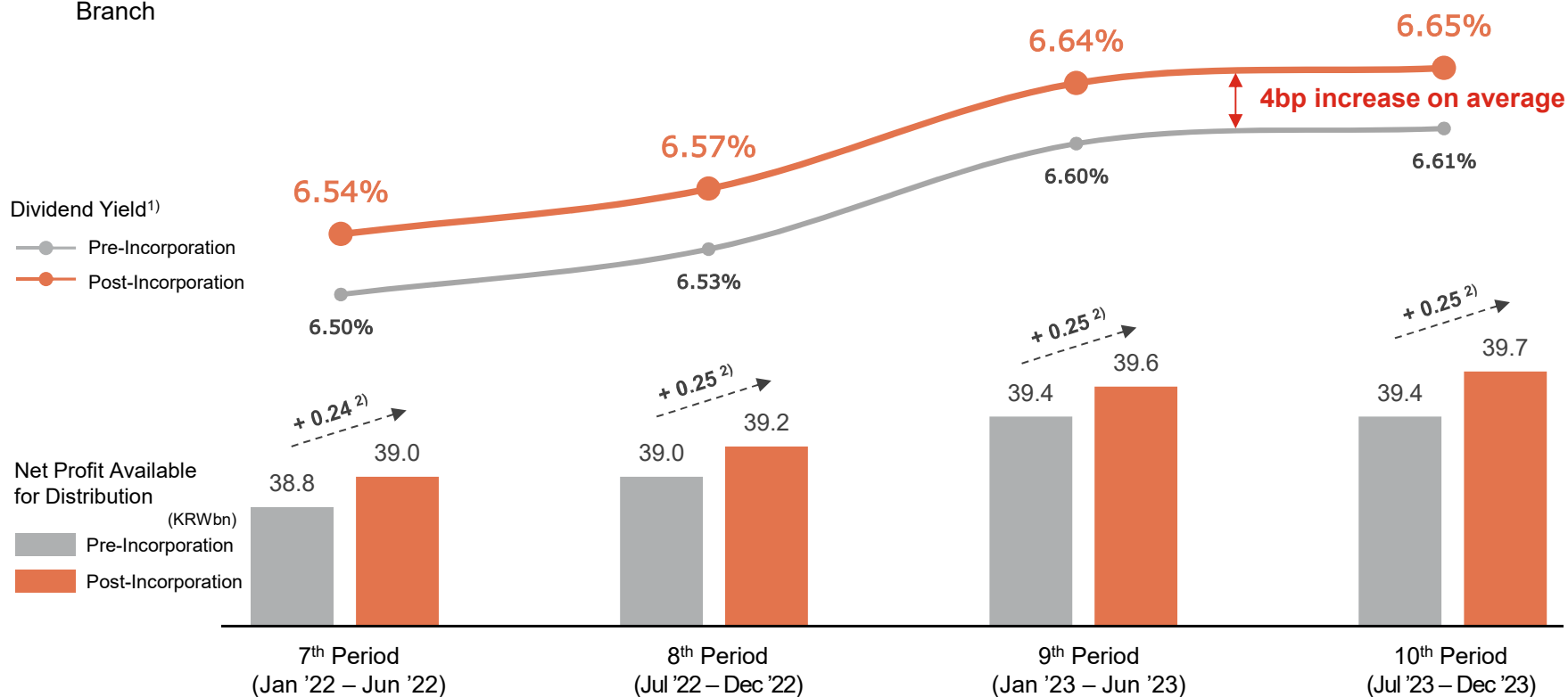
Source: Company information
Note: 1. As of November 2021; 2. Sum of fixed & floating rents as of 2021

6

Estimated Net Profit Available for Distribution



- **Maintain long-term stable dividend level based on Master Lease Agreements** with Lotte Shopping and Lotte Global Logistics, and their Triple-net expense structure
- **Expected to achieve stable average dividend yield of over 6%** for the next 2 years after the incorporation of Lotte Mart Yangpyeong Branch



Note: 1. Annualized dividend yield based on total equity; 2. Increase in net profit available for distribution due to asset incorporation

* Above dividend related information is not confirmed dividend payout ratio or net profit available for distribution, and is presented for reference purpose at the present time.
It may change according to changes in market environment, interest rate, real estate related tax policy, etc.



LOTTE REIT

Thank you