ELLIOTT

ELLIOTT'S LETTER[1] TO THE DIRECTORS OF HYUNDAI MOTOR GROUP – THE ACCELERATE HYUNDAI PROPOSALS

Your attention is drawn to the important information set out in <u>Appendix A</u> to this Letter.

23 April 2018

Dear Directors of Hyundai Motor Group:

We are writing to you in our capacity as shareholders of Hyundai Mobis Co., Ltd. ("Mobis" 012330:KS), Hyundai Motor Company ("HMC" 005380:KS), and Kia Motors Corporation ("Kia" 000270:KS),[2] collectively referred to herein as "Hyundai Motor Group" or "HMG."

On 28 March 2018, Hyundai Motor Group announced a restructuring plan that involved spinning off Mobis's module manufacturing and after-sales parts businesses and merging them with Hyundai Glovis Co., Ltd. (the "**HMG Restructuring Plan**"). As shared in our statement published on 3 April 2018, while the HMG Restructuring Plan demonstrates HMG's initiative towards an improved and sustainable corporate structure, more needs to be done to benefit the companies and stakeholders. We, as a significant shareholder in Hyundai Motor Group, called on management to share a more detailed roadmap as to how it will improve corporate governance, optimize balance sheets, and enhance capital returns at each of the companies.

Since we published the statement, we have met and shared our views about the HMG Restructuring Plan with senior level officers of Mobis and a number of significant shareholders, both domestic and international. Based on these meetings, we believe that it would benefit all parties if we share our views with more shareholders and engage in an open and transparent discussion in the public forum. Against that backdrop, and also based on our more thorough

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[1] This Letter is from and is published solely by Elliott Associates, L.P. ("EALP") and Potter Capital LLC ("Potter"), both of which are Elliott affiliates. Founded in 1977, Elliott manages two funds, Elliott Associates, L.P. and Elliott International, L.P., with assets under management of approximately US $35 billion as at the date of this Letter. Copies of this Letter and the accompanying presentation can be found at: http://www.acceleratehyundai.com.

[2] EALP and Potter currently hold, in aggregate, more than US $1 billion of common stock in Mobis, HMC and Kia respectively, representing more than 1.5 per cent of the entire issued ordinary share capital in each of these companies. Elliott affiliates may now have and/or at any time in the future may, without notice to any person (other than as required by, and in accordance with, applicable laws and regulations), establish long positions (other than the current shareholdings described) or short positions and/or may increase and/or decrease, whether fractionally or fully, the size of any long and/or short positions, in each case in respect of or related to any shares or other equity or debt securities (including securities and derivative products directly or indirectly related to such securities including KOSPI 200 Index) of any member of the Hyundai Motor Group. *See* the important information contained in **<u>Appendix A</u>** to this Letter.

review of the HMG Restructuring Plan, we now share our further thoughts on the Plan in this Letter and the accompanying presentation, which we have titled the "**Accelerate Hyundai Proposals**."

The Accelerate Hyundai Proposals illustrate a fair and efficient way to restructure HMG to address the key elements that have caused significant share underperformance, and ultimately to help unlock the true value of HMG. The Proposals will assist stakeholders to assess potential shortfalls of the HMG Restructuring Plan and form their own views on how to bring sustainable benefits to all Hyundai Motor Group shareholders (retail, institutional, domestic and international), management, and other stakeholders.

We will continue our efforts to engage with management and other stakeholders on these issues, with the goal to unlock the significant value of HMG.

Background – HMG Restructuring Plan

Hyundai Motor Group has achieved remarkable growth over the past two decades, outperforming its global peers. With its superior craftsmanship and supply chain management, Hyundai Motor Group is well-positioned to become the next leading brand worldwide. Hyundai Motor Group's notable success in the auto industry is a testament to HMG's workers, leaders, and stakeholders' hard work and dedication to excellence over many decades.

For many years, however, Hyundai Motor Group's valuations have languished at a significant discount to its peers. HMG shares have been trading at deep discounts below their forward P/E and EV/EBITDA valuations compared to its global peers and KOSPI. Mobis, HMC and Kia shares have been trading at discounts in the range of 25% to 70% benchmarked to their peers, respectively,[3] despite the Group's leadership in the global auto market. In short, the market's valuation of HMG shares does not properly reflect the true value of Hyundai Motor Group.

While the HMG Restructuring Plan aims to address one of the key causes of this poor share performance history, namely the inefficient circular holdings, the unwinding of the current circular holding structure by itself is not enough to resolve other issues that are contributing to the significant discount. These additional issues include the following:

1. The proposed four-layer ownership structure is inefficient in terms of tax and capital structure as compared to a holding company structure.

    a. The present value of potential tax leakage on dividends from HMC and Kia can be as much as US $1.7 billion,[4] approximately 7% of pre-announcement Mobis market capitalization.

    b. The Plan is devoid of any discussion on how to value Kia's stake in Mobis in a fair and transparent way.

[3] *See* slide 23 of the accompanying presentation.

[4] *See* slide 15 of the accompanying presentation.

2. The proposed terms of the spin-off and the merger ratio (currently at 0.61:1) do not ascribe fair value to Mobis's module manufacturing and after-sale parts businesses. The proposed business strategy and commercial justification of combining these businesses with a logistics company are also questionable.

3. The HMG Restructuring Plan is silent as to how it will optimize balance sheets and enhance capital returns at each of the HMG companies.

4. HMG's overall corporate governance remains below global standards, not in keeping with the Group's status as a leading global automotive brand with multinational operations.

Market Response to the HMG Restructuring Plan

The Media and Research Community have commented on the HMG Restructuring Plan with a level of criticism, much of which underpins our concerns. We have heard these comments echoed by many shareholders – both large and small, Korean and international. It is worth reflecting upon some of the negative reaction to the HMG Restructuring Plan. Here are a few select responses:[5]

- "Shares of Hyundai Mobis dropped almost 7 percent on Friday, hurt by **worries that a proposed restructuring plan would benefit the parent group's controlling family at the cost of the company's shareholders**… . The plan will be put to shareholders for approval on May 29, but worries Mobis could be giving away cheaply what is seen as the more profitable part of its business will pose a challenge… . **Mobis investors have already said they were not convinced of the deal's benefits to the auto parts maker.**" – Reuters, 30 March 2018

- "**Mobis shareholders get a rough deal. The transaction values the divested businesses at 9.3 trillion won ($8.7 billion), or just 8.6 times last year's earnings**, Breakingviews calculates. This is based on Hyundai's own assessment of "intrinsic value" and assumes a 25 percent tax rate. To be sure, Mobis has long traded at a modest valuation. **But this still looks stingy. German parts-maker Continental, for example, fetches roughly 15 times 2017 earnings.** This requires approval from two-thirds of shares that are voted. So the plan looks vulnerable." – Breakingviews, 29 March 2018

- "Shares of Hyundai Mobis were down 1.7 per cent on Thursday afternoon after sliding by as much as 8 per cent in morning trade on **investor concerns**

[5] The views mentioned by the Media and the Research Community shall not be taken to mean or imply (i) that the research reports referred to are a representative sample of all research reports on the topics concerned; or (ii) that the authors of the reports or their employing banks/brokers endorse in any way the Accelerate Hyundai Proposals or the views set out in this Letter or the accompanying presentation. We have emphasized in bold certain excerpts of the views which appear in this Letter.

that the company may be forced to give its lucrative business to Hyundai Glovis at a discount." – Financial Times, 29 March 2018

- "**Deal does NOT benefit Mobis**: We stand firm on our view, which prompted our recent downgrade of Mobis, that the proposed Mobis/Glovis deal does not benefit Mobis's existing shareholders. **Key reasons are as follows; 1) unfavorable spin-off/merger ratio, 2) limited EPS accretion, 3) weakening of FCF generation, and 4) limited valuation upside potential, based on pro forma financials.**" – Morgan Stanley, 18 April 2018

- "Given that the calculation involves value estimation of two new entities, the implication for Mobis is more complicated than for Glovis shareholders. Barring a re-rating of either of the two companies, we think the net share price impact is slightly negative, given the merger ratio that is unfavorable to spun-off Mobis (vs.Glovis)… **Net-net, we think the deal is incrementally negative for existing Mobis shareholders.**" – JP Morgan, 29 March 2018

- "On balance, we believe the spin-off/merger is neutral to existing Hyundai Mobis shareholders. First, the merger ratio may leave existing shareholders somewhat unhappy. The 2017 pretax profit of the spun-off businesses was W1.44tr, which translates into net profit of W1.04tr based on a 27.5% tax rate. For 2018, net profit is expected to grow to W1.2tr. In calculating the merger ratio, the spun-off businesses were valued at W9.27tr, which implies a P/E of 7.7-8.9x. **This does look somewhat cheap, considering that half of the cash-generating A/S business is being handed over.**" – Mirae Asset, 29 March 2018

- "**We believe this is not a favorable deal for MOBIS shareholders**: During the call, company indicated that of its W24-25trn market cap, it is roughly valuing the remaining core parts and investment businesses at ~W14trn while valuing the module manufacturing and after-sales service businesses at ~W9.5trn. However, **considering that its module manufacturing and A/S parts businesses generated 2017 pretax profit of W1.44trn and include a cash holding of ~W2.5trn, we believe the company's ~W9.5trn valuation is too low.**" – Morgan Stanley, 28 March 2018

- "We view management's decision today as merely a removal of circular ownership structure to cope with the government's request to enhance operational transparency…**The rationale behind the W9tr allocation to its lucrative A/S – an unexpected discount – was driven by the accountants' formula of weight-averaging net asset and earnings value."** – CIMB, 28 March 2018

<u>The Accelerate Hyundai Proposals</u>

The Accelerate Hyundai Proposals offer a fair and transparent alternative to the HMG Restructuring Plan, designed to address the fundamental issues underlying the Group's underperformance. We have invested significant time and resources to study Hyundai Motor Group over the past year, and set forth the Accelerate Hyundai Proposals to highlight different pathways to achieve equity market valuation that properly reflects HMG's well-deserved position in the market.

Rationale – Addressing Deep-Rooted Structural Obstacles to Realizing Value

1) Outdated Structure of Hyundai Motor Group that Obfuscates Value

The current HMG corporate structure is characterized by various legacy treasury and cross-shareholdings, making it unnecessarily complex and increasingly unsustainable. The Accelerate Hyundai Proposals provide a step-by-step restructuring roadmap designed to address the rising uncertainty and instability embedded within the current corporate structure.

We understand the HMG Restructuring Plan attempts to address this issue by severing the circular holding structure through a number of intra-Group transactions. However, our analysis – as well as many other independent market reports – confirms that the proposed four-layer ownership structure is an inefficient tax and capital structure as compared to a holding company structure.

2) Suboptimal Capital Management and Declining Shareholder Returns

For the past five years, Mobis and HMC have been overcapitalized, each with 14.3% and 17.5% net cash positions exceeding the average of -9.0% and 11.1% of their respective global peers. Mobis and HMC each has as much as **KRW 6 trillion of excess cash** as compared to peers, representing 18% of HMC market capitalization and 26% of Mobis market capitalization.[6]

At the same time, affiliates of Hyundai Motor Group including Mobis, HMC and Kia have used valuable capital to fund many questionable investments, about which analysts and shareholders have voiced significant concerns and sharp criticisms. For example,

- HMG spent KRW 10.6 trillion (US $9.9 billion) for purchasing a plot of land in Gangnam district from KEPCO in 2014 at a 217% premium over the land's appraisal value.

- In 2011, HMG purchased a controlling stake in Hyundai E&C for KRW 5.0 trillion (US $4.6 billion) at a 58% premium to Hyundai E&C's share price at the time the agreement was signed. This brought implied losses amounting to KRW 3.0 trillion (US $2.8 billion) for the Group.

- Between 2012 and 2014, Mobis acquired a total of 59% of Green Cross Life (now Hyundai Life Insurance Co., Ltd.) for KRW 203 billion (US $190 million), which has yet to be profitable.

At the other end of the extreme, Kia has been undercapitalized as compared to peers. We believe that Hyundai Motor Group's current balance sheet is out of balance, and can be further optimized to make it a more attractive investment opportunity for current and

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6 *See* slide 39 of the accompanying presentation.

prospective shareholders while maintaining a sufficient level of flexibility needed for future growth opportunities.

Meanwhile, HMG's shareholder return policies remain vague and inappropriately linked to free cash flow rather than net income. HMG's payout targets are set as wide ranges based on free cash flow. This falls far short of adequate level of transparency as the Group consolidates financial subsidiaries and does not report free cash flow figures. Furthermore, payout ratios have been lagging significantly behind its global peers.[7]

3) Corporate Governance below Global Standards

In contrast to its position in the market as one of the leading global automotive brands, Hyundai Motor Group's corporate governance is not up to par with its international peers. While encouraged that HMC adopted the Corporate Governance Charter, we find that there is still considerable progress to be made to reach global standards, especially in regards to its board composition and transparency, which lack diversity and non-executive directors' relevant industry experience outside of Korea.

Key Elements of the Proposals and their Benefits

Many analysts and other market participants have commented on and suggested potential ways for HMG to achieve both a more efficient corporate structure and a more appropriate capital and governance structure across its core-listed entities. Based on our careful study of the various issues facing HMG, we think the adoption of a holding company structure would be the most efficient and effective way to unlock its value in a fair and transparent manner. We sincerely hope that HMG management and all stakeholders will consider this option and evaluate and improve the HMG Restructuring Plan at this important juncture.

1) Hyundai Motor Group Restructuring

We propose that a realignment of the Group be effected by adopting a holding company structure through steps which are diagrammatically laid out in **Appendix B**. In addition to being more tax-efficient, a holding company structure brings additional stability and control over the Group, and encourages improved shareholder returns for its subsidiaries. For these reasons, a holding company structure better aligns the interests of its various stakeholders.

A key step in the holding company formation involves a merger between Mobis and HMC on fair and transparent terms. Merging Mobis's after-sale services business with HMC creates the 7th largest automotive company in the world by assets and one that is truly comparable to other leading automotive manufacturers. This step also results in an automotive manufacturer with a significant margin uplift, and will bring further stability to the combined businesses' profitability and catalyze a re-valuation by the market.

[7] Last year, Mobis, HMC and Kia had a ratio of 21%, 25% and 17% of net income, respectively, while their automobile and automotive part peers had an average payout ratio closer to 50% of net income. *See* slide 40 of the accompanying presentation.

2) Optimizing Balance Sheet

As a way of optimizing its capital management and balance sheet, we propose that HMG reduce its net cash positions, especially as it relates to Mobis and HMC, which have excess cash positions of KRW 6 trillion each as compared to peers.

3) Improving Shareholder Returns

We also propose that HMG adjust its current payout ratio to 40% to 50% as a percentage of **net income**, to be comparable to its global peers. We believe that this would help HMG better demonstrate its long-term commitment to shareholders.

4) Board Improvements for Hyundai Motor Holdco and Hyundai Motor Opco

Hyundai Motor Holdco, Hyundai Motor Opco, Kia, and their stakeholders would benefit from improving their corporate governance structure to be in line with HMG's global position. We believe that additional steps need to be taken in order to elevate corporate governance closer to the standard expected of a global elite company, including among others:[8]

- add three independent directors with well-suited and exemplary international corporate backgrounds to the Board of Directors to improve independence of the board and enhance diversity as well as tapping into broader experience in the relevant industry outside Korea; and

- improve the ratio of non-executive to executive directors and establish director eligibility requirements accordingly so that the number of outside directors is three at minimum and exceeds the number of inside directors by two in any case.

Conclusion

We believe that the Accelerate Hyundai Proposals will help HMG management, its respective shareholders and other stakeholders to assess, amend and improve the HMG Restructuring Plan in a more concrete and constructive way.[9] By providing a fair and efficient guide to enhance HMG's corporate and governance structure, its balance sheet, and shareholder returns, the Accelerate Hyundai Proposals will encourage the market to properly reflect HMG's true value. We are confident that a full and open review of the Accelerate Hyundai Proposals and further discussion and improvement of the HMG Restructuring Plan would be welcomed by an overwhelming majority of Hyundai Motor Group shareholders and other stakeholders.

With Korea's recent movement towards becoming a more transparent, open and investor-friendly jurisdiction, we believe that these proposals come at an opportune time for Hyundai Motor Group management to demonstrate its willingness to listen to shareholders' demand for more equitable treatment. HMG can stand out as the market leader in promoting

[8] *See* slide 41 of the accompanying presentation for additional proposed steps.

[9] The Proposals do not envision significant changes in other aspects of HMG as it currently stands, for example, key business and operational considerations, labor/work force utilization, key assets including factory and inventory managements.

open and constructive discussions to achieve the best results for all stakeholders in a constructive atmosphere.

We believe that HMG management demonstrating its leadership at this time would bring far-reaching benefits, helping to earn the shareholder support it needs to achieve future goals, whilst showing real resolve to address the misalignment between Hyundai Motor Group's remarkable business performance and its share prices. Such leadership by the directors would mark a new chapter for the Hyundai Motor Group. We stand ready to constructively assist you to achieve this mutually beneficial outcome for all stakeholders.

Yours faithfully,

Elliott Associates, L.P. **Potter Capital LLC**

About Elliott:

Founded in 1977, Elliott today manages approximately US$35 billion for both institutional and individual investors. As one of the oldest private investment firms of its kind under continuous management, Elliott employs a value-added investment strategy with the objectives of promoting shareholder value and excellent corporate governance. With its strong understanding of the Korean market and corporate structures, Elliott has been successful in enhancing shareholder value in Korea. One recent example is the Samsung Electronics Value Enhancement Proposal published in October, 2016. Since Elliott's publication of Samsung Electronics Value Enhancement Proposal, Samsung Electronics has:

1. Increased dividend distribution by 30% to KRW4.0 trillion for 2016 and more recently decided to increase its dividend distribution again to KRW5.8 trillion in 2017,
2. Committed to improve dividend distribution by 100% for 2018 to KRW9.6 trillion, and maintain this level for 2019 and 2020 with a policy to return at minimum 50% of free cash flow generated (including a policy change that future M&A investments will not be deducted from FCF) to shareholders during this period,
3. Initiated a share repurchase program of KRW9.3 trillion in January 2017 which was completed in January 2018, and
4. Announced cancellation of all outstanding treasury shares (12.9% of common shares and 15.7% of preferred shares), half of which was cancelled upon announcement and the remainder to be cancelled in 2018.

<u>APPENDIX A</u>

IMPORTANT INFORMATION

Many of the statements in this Letter as well as in the presentation are the opinions and/or beliefs of EALP and/or Potter, which are based on their own analysis of publicly available information. Any statement or opinion expressed or implied in this Letter and the Presentation is provided in good faith but only on the basis that no investment decision(s) will be made based on, or other reliance will be placed on, any of the contents herein by others. Nothing in this Letter, the accompanying Presentation or in any related materials is a statement of or indicates or implies any specific or probable value outcome for Hyundai Motor Group shareholders in any particular circumstance.

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This Letter has been compiled based on publicly available information (which has not been separately verified by EALP, Potter, Elliott or any of their respective affiliates) and does **<u>not</u>**:

(i) purport to be complete or comprehensive; or

(ii) constitute an agreement, offer, a solicitation of an offer, or any advice or recommendation to enter into or conclude any transaction or take or refrain from taking any other course of action (whether on the terms shown herein or otherwise).

The market data contained in or utilized for the purposes of preparing this Letter is (unless otherwise specified) as at the end of trading hours on April 20, 2018. Changes may have occurred or may occur with respect to such market data and neither EALP, Potter, Elliott nor any of their respective affiliates is under any obligation to provide any updated or additional information or to correct any inaccuracies in this Letter.

The information in this Letter contains "forward-looking statements." Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as "may," "can," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," "seeks," "could," "would" or the negative of such terms or other variations on such terms or comparable terminology. Similarly, statements that describe any objectives, plans or goals of EALP and/or Potter are forward-looking. Any forward-looking statements are based on the current intent, belief, expectations, estimates and projections of EALP and/or Potter. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to differ materially. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

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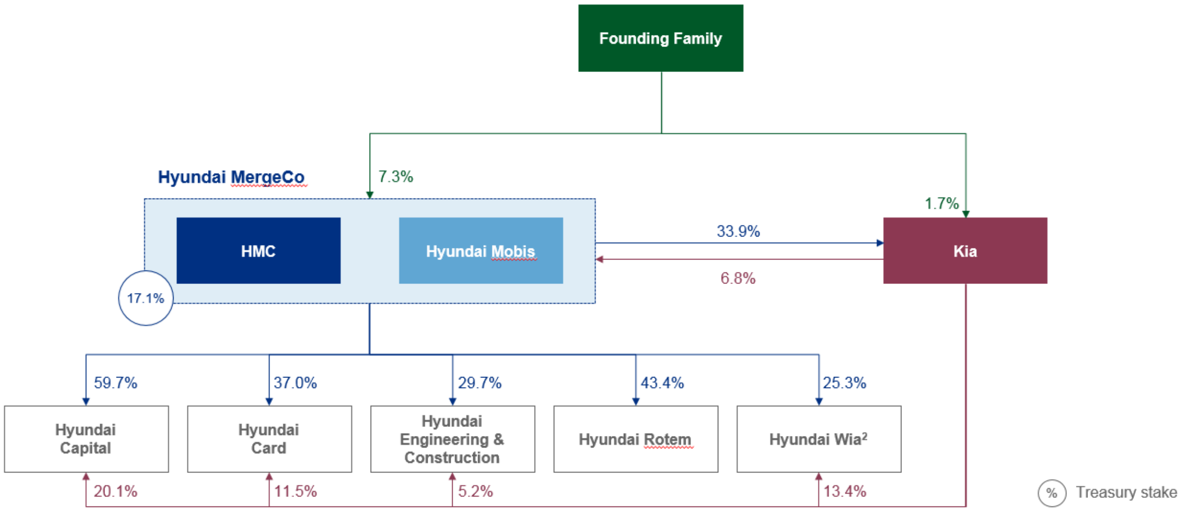
APPENDIX B

ILLUSTRATION[1]

Step I. Merger between Mobis and HMC to form "Hyundai Mergeco"[2]

Mobis and HMC merge to form "Hyundai Mergeco" on fair and transparent terms.

- Merging the two companies would be the first step towards achieving a holding company-oriented structure that will streamline Hyundai Motor Group's complex shareholding and organizational structure.
- Merging Mobis's highly profitable after-sale service business with HMC is expected to bring the additional benefit of a margin uplift by 27% on a *pro forma* forward basis.[3]



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[1] The diagrams of these holding structures and percentage equity interests held by shareholders post each stage are being provided for illustrative purposes only. The actual resulting structures and percentage of equity holdings by shareholders will be subject to the terms and execution of multiple steps of restructuring transactions and many other factors including individual shareholders' choices and various other corporate decisions, which would be achieved on a consensual basis. For that reason, these figures do not, and cannot, reflect our view on any particular term or condition of the proposed transaction beyond serving illustrative purposes.

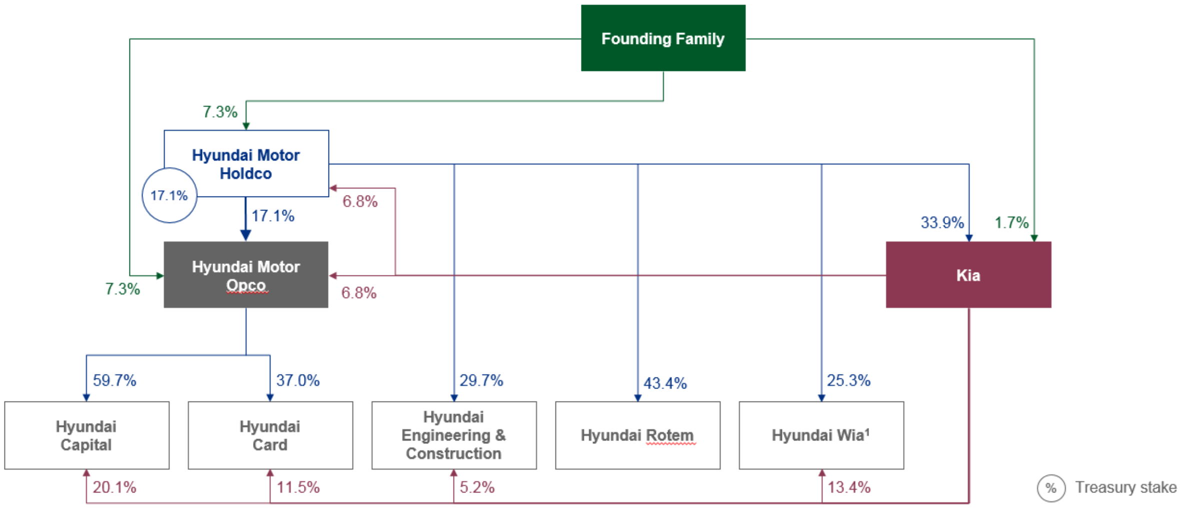
[2] For the purpose of illustrating the merger between Mobis and HMC, we assume: a theoretical merger ratio of 1:1.52 for HMC to Mobis based on current share prices of HMC and Mobis. *See* slide 34 of the accompanying presentation.

[3] This would make Hyundai Mergeco one of the more profitable and stable automotive companies globally with an estimated operating margin of 6.7%.

Step II. Demerger of Mergeco into Hyundai Motor Holdco and Hyundai Motor Opco[4]

Hyundai Mergeco demerges into a listed holding company ("Hyundai Motor Holdco") and a separately listed operating company ("Hyundai Motor Opco"), a necessary step towards establishing a transparent, stable and sustainable holding company structure.

- The demerger would also unlock significant value of HMG's existing and newly formed treasury shares (previously Mobis's stake in HMC) as well as allow for the consolidation of key Hyundai Motor affiliates under Hyundai Motor Holdco.



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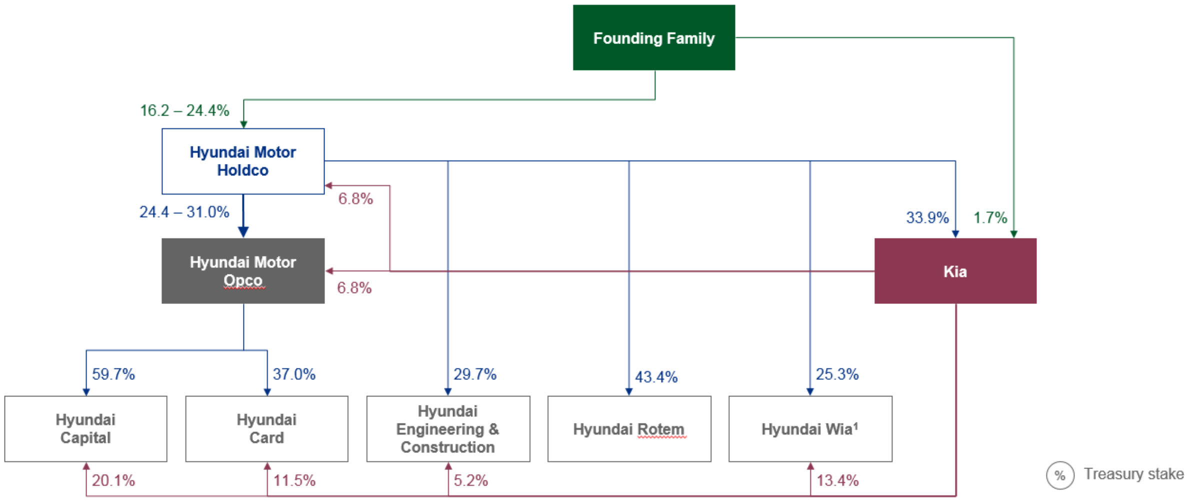
4 For the purpose of illustrating the demerger of Hyundai Mergeco into Hyundai Motor Holdco and Hyundai Motor Opco, we assume: Hyundai Motor Holdco will hold all affiliate companies other than Hyundai Capital, Hyundai Card and the China JV of Hyundai Motor. *See* slide 36 of the accompanying presentation.

Step III. Tender Offer by Hyundai Motor Holdco for Hyundai Motor Opco shares[5]

A tender offer is made by Hyundai Motor Holdco for Hyundai Motor Opco shares in exchange for Hyundai Motor Holdco treasury shares or cash, designed to allow Hyundai Motor Holdco to boost its ownership in Hyundai Motor Opco.



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5 For the purpose of illustrating the tender offer by Hyundai Motor Holdco for Hyundai Motor Opco shares, we assume: the ratio of value of Hyundai Motor Holdco to Hyundai Motor Opco at tender offer to be at 0.3:0.7, take-up rate of 0-10% by shareholders other than Founding Family and Hyundai affiliates, etc. *See* slide 37 of the accompanying presentation.

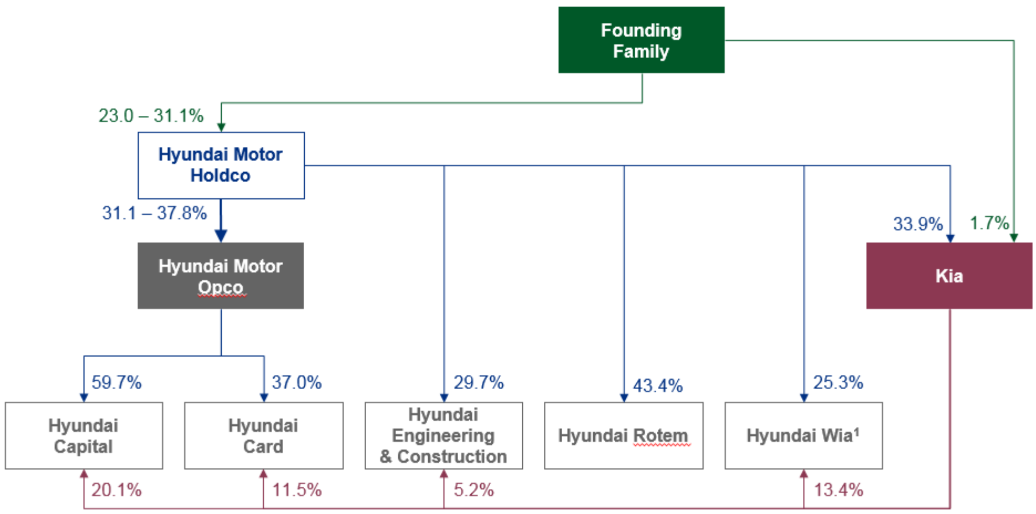
Step IV. Strategic review of Kia's shareholding in Hyundai Motor Holdco and Opco[6]

A strategic review is called for Kia and financial subsidiaries' shareholdings in Hyundai Motor Holdco and Opco to optimize value for all relevant entities and stakeholders.

- In order to both further disentangle key cross-shareholdings in the structure and improve Kia's overleveraged balance sheet, Kia could sell its stake in Hyundai Motor Opco to Hyundai Motor Holdco or a strategic buyer in the market.

- Alternatively, Kia could de-merge itself into a listed holding company and separately listed operating company and have Kia Holdco merge into Hyundai Motor Holdco.

- In either (or another) situation, we believe that these intra-Group transactions should proceed through transparent process and on a consensual basis in order to achieve terms that are fair and reasonable for all relevant parties.



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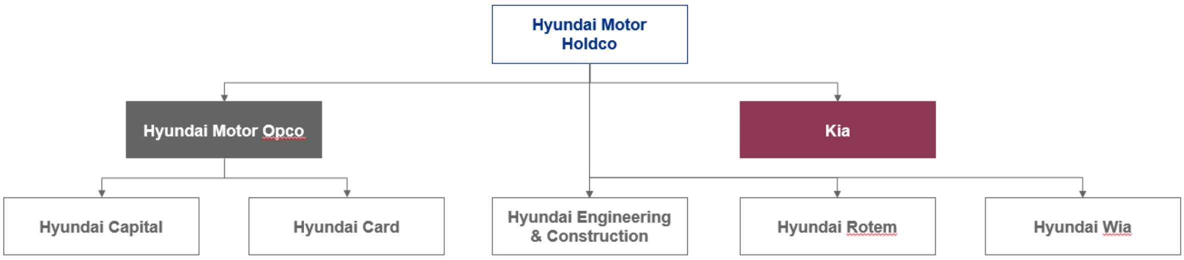
[6] For the purpose of illustrating the disposal of Kia's shareholding in Hyundai Motor Holdco and Opco, we assume: Hyundai Motor Holdco will acquire Kia's stake in Hyundai Motor Opco for cash, Founding Family has the option to acquire Kia's stake in Hyundai Motor Holdco to further increase their stake in Hyundai Motor Holdco. *See* slide 38 of the accompanying presentation.

Final Intended Group Structure[7]



Key benefits of the Step I Merger as an initial step would bring a significant margin uplift, provide further stability to the combined businesses' profitability, and catalyze a re-valuation by the market. The combination of Step II Demerger and Step III Tender Offer would be a tax-efficient way of streamlining the complex structure of Hyundai Motor Group whilst also bringing in additional capital and strengthening control over the group structure. Step IV eliminates remaining cross shareholdings in the structure and recapitalizes Kia's balance sheet.

Another important step to consider involves restructuring of the financial subsidiaries. In order to fully comply with the applicable laws and regulations, while maximizing the efficient operation of these subsidiaries from a business perspective, we encourage HMG management and all stakeholders to take a forward-looking approach and consider various options, including restructuring of the leasing business and/or further demerger of these subsidiaries within the time period prescribed by relevant laws and regulations.

7 *See* slide 33 of the accompanying presentation.