

Hyundai Group-KDB accelerate implementation of their additional plan

- Recovery plan gaining momentum through sale of Hyundai Securities, formal contract of bulk dedicated business signed and personal donations made
- Charter cut negotiation begins on February 22, with goal to complete talk by mid-March...Creditors' meeting to be held in mid-March

The additional restructuring plan proposed by Hyundai Group, which was announced on February 2, is gaining momentum.

On February 5, Hyundai Merchant Marine (HMM) signed the formal contract with H-Line to sell its bulk dedicated business at about KRW 120 billion (\$100m) [Total KRW 540 billion (\$450m) including liability of KRW 420 billion (\$350m)]. On February 18, HMM made a public posting saying that Hyundai Group Chairwoman Hyun, Jeong-eun will donate KRW 30 billion (\$25m) of her personal funds through a third-party allotment.

In particular, the competition for the sale of Hyundai Group's three financial affiliates, including Hyundai Securities, is intensifying in comparison to last year's M&A attempt, fueling the high expectations around the HMM plan. It is rare to find such large financial companies in the M&A market, and the management rights can be obtained by acquiring merely 22.56% of the stakes, both merits which are regarded highly in the industry.

Korea Investment Holdings and KB Financial Group have already submitted a letter of intent (LOI) and are currently conducting due diligence. Additionally, major local securities, financial groups and foreign strategic investors are reportedly joining hands with Korean PEFs to take part in the M&A race. Once the submission of LOI is completed on February 29, Hyundai Group will proceed with the main bidding and complete the talk with its preferred bidder within the month of March.

The talks around the charter cut and publicly placed bonds, which are the core factors of recovering HMM's profitability, are also accelerating.

A negotiation team comprising the members of HMM and the company's legal advisor Millstein & Co will start its negotiation with shipowners starting February 22. Also, their schedule to renegotiate publicly placed bonds -will start soon. HMM will send letters to creditors who hold KRW 120 billion (\$100m)'s worth of publicly placed bonds due April sometime next week, and will ask for agreement to renegotiate its liabilities with creditors at a creditors' meeting, which is planned to be held in mid-March.

HMM's creditors including Korea Development Bank have publicly stated that they will cooperate in modifying HMM's debts if the agreements on publicly placed bonds and the charter cut are completed successfully. Thus, Hyundai Group is putting in all its efforts to make this a success.

As part of its plan, Hyundai Group's negotiation to sell 50% plus 1 of Hyundai Busan New Port Terminal's stakes is expected to be concluded soon.

Hyundai Group said, "All our plans for HMM's recovery are on the right track and likely to be completed within March if there are no conflicting variables."

During a press conference held on February 18, Lee Dong-geol, the new Chairman and Chief Executive of KDB, officialized that KDB will fully support HMM once the Hyundai affiliate's charter cut negotiation with foreign shipowners succeeds.

KDB has been reviewing the business restructuring plan -by HMM, and it is understood that KDB has concurred with HMM's plan.

"I agree that the implementation of HMM's restructuring plan is prudent and feasible in the goal of maximizing the recovery of the company and all stakeholders," said Chairman Lee, adding, "KDB will proceed with debt-equity swap worth KRW 800 billion once HMM successfully concludes its charter cut negotiation."

During his interview on February 5, Kim, Young-suk, the Minister of Oceans and Fisheries (MOF), also said he sincerely supports HMM's decision to go with the plan despite the sluggish market condition of the maritime industry caused by the global economic downturn. He then signaled that MOF will introduce a series of support programs once chance of recovery could be seen.

In relation to the restructuring plan of HMM, main creditor bank KDB confirmed on February 18, "After thorough review, Hyundai Group's plan has been deemed viable and trustworthy, and capable of substantially helping HMM to recover its financial structure and achieve normalization if well-implemented."

An industry insider said, "It seems like HMM's plan is well thought-out and feasible, and Hyundai Group's commitment is strong. Consequently, the main creditor bank and other creditors are supportive." He also added, "Such assurance will help HMM to win the credibility of partners, investors, shipowners and the market at large."

■ [Appendix] Process of HMM's restructuring plan

Category	Plan	Process
Sale of assets	Public sales of 3 financial affiliates including Hyundai Securities	LOI submission due Feb 29
	Sale of bulk dedicated business	Formal contract signed on Feb 5
	Stake sale of Hyundai Busan New Port Terminal(50% plus 1)	On-going
Emergency Liquidity Assistance	Sale of stakes/loan in Hyundai Asan and Hyundai Securities	Completed on Jan 29(KRW 70 bn)
	Personal donation(KRW 30 bn)	Public posting on Feb 18
Others	Charter cut negotiation	Starting from Feb 22
	Debt renegotiation	Creditors' meeting in mid Mar