# Korea Zinc Extraordinary General Meeting of Shareholders (January 23, 2025)

## Rebuttal Against Korea Zinc's Claims

January 2025

MBK PARTNERS

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# Executive Summary

**The claims Korea Zinc raised against the MBKP-Young Poong Consortium are unfounded and malicious. On the other hand, Chairman Choi, Yun-beom responded to MBKP-Young Poong's criticism of failed corporate governance by (i) distorting data, (ii) intentionally ignoring questions and (iii) providing insufficient explanations, hence blurring the key issues and avoiding constructive criticism.**

**How Chairman Choi is responding to valid questions raised by the largest shareholders confirms that the current management and board of directors are unable to resolve Korea Zinc's agency problem.**

**Rebuttal to Accusations Targeting MBKP-YP**

- Choi, Yun-beom's accusations related to Young Poong ignore the fact that **Young Poong's economic interest is aligned with Korea Zinc's other shareholders**, since **Young Poong is Korea Zinc's largest shareholder** and **Korea Zinc is Young Poong's most valuable asset**. The accusations over **Young Poong's environmental issues**, including the treatment of sulfuric acid, **are not based on facts**.
- Choi, Yun-beom's accusations related to MBKP demonstrate lack of understanding of **MBKP's investment philosophy and strategy** and of **the many proposals to enhance Korea Zinc's value**.
- MBKP's **management capabilities** and **value creation capacity** have been proven through many investment cases, which are being dismissed based on misunderstandings over a small number of cases.

**Rebuttal to Korea Zinc's Insufficient Explanations**

- Instead of trying to provide acceptable answers to issues raised by MBKP-Young Poong over **Korea Zinc's failed corporate governance**, Choi, Yun-beom is (i) arbitrarily distorting data, (ii) intentionally ignoring questions and (iii) providing insufficient explanations.
  - Chairman Choi is arbitrarily distorting data related to **objectively declining indicators** and **cash leakages due to indiscriminate investments** after he was appointed chairman, **spinning MBKP-Young Poong's constructive criticism** and **avoiding key issues**.
  - Chairman Choi is avoiding productive discussions related to his **inefficient new business drive** by presenting **unrealistically aggressive projections**.
  - Chairman Choi is unable to provide an acceptable explanation over the **failure in corporate governance**, manifested through the general public offer and investments into Igneo Holdings and OneAsia Partners. This confirms his **lack of remorse** and **the absence of a properly functioning board.**

# 1. Rebuttal to Accusations Targeting MBKP-Young Poong

MBK PARTNERS

# Rebuttal to Allegations Against the Consortium (1/2)

| Allegations against Young Poong | Our Rebuttal |
|---|---|
| **Maintaining a business partnership with Young Poong prioritizes enhancing Young Poong's shareholder value over that of Korea Zinc.** | The **collaborative efforts between Korea Zinc and Young Poong in areas such as material procurement, finished product sales, and secondary raw material sourcing have historically generated significant synergy** and mutual economic benefit to both parties. Korea Zinc's characterization of these initiatives as sacrifices of Korea Zinc's value is significantly misleading. Our intention is to continue collaboration in these areas. Termination of this collaboration may trigger unnecessary competition, reducing the competitiveness of both parties.<br><br>Furthermore, Young Poong is Korea Zinc's **largest shareholder group**, and Korea Zinc constitutes its **most significant asset.** Sacrificing Korea Zinc's value offers **no benefit and only downside to Young Poong's shareholder value**. Chairman Choi is the one that faces issues arising out of **misalignment of interest with the other shareholders of Korea Zinc**; despite having only a minority stake in Korea Zinc, **he has subjected himself to agency problems by pursuing private gains and making inefficient investments that have destroyed corporate value.** |
| **Environmental pollution and safety accidents continue to occur at Young Poong** | The non-ferrous metal smelting industry is unavoidably exposed to a constant risk of serious accidents and environmental issues, and this includes Korea Zinc**. Young Poong has been making enormous efforts to prevent serious accidents and resolve environmental pollution issues**.<br><br>**[Environment]** Over the past five years, Young Poong has invested more than W430 billion over the past 5 years in large-scale environmental improvement projects, including soil remediation, groundwater purification, and the establishment of a Zero Liquid Discharge (ZLD) system, resulting in measurable improvements as reflected in objective environmental indicators. Notably, the implementation of the ZLD system in 2021 marked a groundbreaking achievement, being the first of its kind among smelters worldwide.<br><br>**[Prevention of Serious Accidents]** Since 2023, significant enhancements have been made to safety and health management, including implementation of improvements to safety management systems and organizational structures. Outdated facilities have been upgraded, environmental improvements completed, and on-site inspections intensified, all measures designed to elevate safety awareness and ensure the prevention of accidents. |
| **Young Poong continues to require Korea Zinc to manage sulfuric acid, which is detrimental to Korea Zinc and its shareholders** | Sulfuric acid is not a waste product but is a **valuable product used in semiconductor manufacturing** and other applications. **Under the logistics contract with Korea Zinc, Young Poong has been exporting sulfuric acid through Onsan Port**. While exporting via Donghae Port is a possible alternative, facilities at the port, such as storage tanks capable of handling the full volume of sulfuric acid exports, are currently inadequate for this.<br><br>In response to Korea Zinc's **abrupt notice to Young Poong to terminate the 20-year export arrangements without giving any time to arrange other alternatives**, Young Poong has filed an injunction to enjoin such termination. Moving forward, **exports of the entire volume of sulfuric acid via Donghae Port will be possible** when the port's infrastructure, including its facilities, is expanded in line with both Young Poong's ongoing **qualitative improvements** and **Donghae Port's development plans for the liquid cargo terminal**. |

Note: Chairman Choi's false allegations about the MBK Partners–Young Poong Consortium, stemming from a lack of understanding, will be thoroughly clarified and addressed in detail through supplementary response materials.

# Rebuttal to Allegations Against the Consortium (2/2)

| Allegations against MBK Partners | | Our Rebuttal |
|---|---|---|
| **Inability to propose an independent growth plan due to lack of experience and understanding of the smelting business** | | There is a general agreement on the necessity of the Troika Drive pursued by Korea Zinc. However, MBK Partners seeks to implement the initiative in a more efficient and effective manner to bolster Korea Zinc's long-term growth drivers and, in turn, enhance shareholder value. |
| **Concerns regarding the potential erosion of shareholder value stemming from asset sales and excessive dividends, following acquisition by MBK Partners** | Homeplus | Despite the growing challenges faced by offline retail businesses in combatting increasing competition from online channels, **significant efforts have been made to enhance job security, including converting approximately 14,000 non-regular employees to regular employees**, and continuing investments in online channels and store improvements. Furthermore, apart from cash dividends distributed to preferred shareholders (domestic pension funds), which are classified as debt, MBK Partners has not received any dividends or returns on its investments. These claims by Korea Zinc are based on distorted interpretations of accounting changes arising from the adoption and revisions of IFRS accounting standards. |
| | bhc | The dispute with certain franchise owners was an issue when former BHC Chairman Park Hyun-jong had management control over BHC. Chairman Park has since been dismissed by the board of directors, and since then, BHC has **prioritized management practices which emphasize mutual growth and coexistence with franchise owners and the local community**. |
| | ING | The voluntary retirement program at ING Life in 2014 was initiated while the company was still under the ownership of the Netherlands-based ING Group prior to MBK Partners' acquisition. After the acquisition, the program was finalized through consultations with the labor union, offering employees **more favorable terms** compared to similar programs in the same industry. |
| **Concerns regarding the potential decline in corporate value due to poor performance, following acquisition by MBK Partners** | D'LIVE TV | It is inaccurate to claim that the investment was entirely financed by debt, as **nearly 1 trillion KRW of equity committed by MBK Partners and its co-investors (domestic private equity funds and Chairman Lee Min-joo) was injected** to fund the acquisition. Moreover, from 2008 to 2013, **both revenue and EBITDA saw significant improvement** under MBK Partners' ownership. The decline in performance after 2014 was due to intensified competition among IPTV providers, driven by changes in government policies. |
| | 영화엔지니어링 YOUNG HWA CON & ENG.CO.,LTD | The decline in performance was driven by the suspension of numerous plant construction projects in the Middle East, a critical market even prior to the acquisition, following the European debt crisis in 2011 and drop in oil prices. This market downturn led to significant losses for major domestic construction companies such as GS Engineering & Construction. As a subcontractor to these firms, Young Hwa Engineering also faced diminished profitability, which directly contributed to its performance decline. |
| | NEPA | The company's performance was affected by the slowdown in the growth of the outdoor apparel market. However, in response to the evolving post-COVID-19 hiking and athleisure market trends, **comprehensive structural improvements** were implemented, leading to a successful **turnaround to net profit in 2022.** |

Note: Chairman Choi's false allegations about the MBK Partners–Young Poong Consortium, stemming from a lack of understanding, will be thoroughly clarified and addressed in detail through supplementary response materials.

# The Relationship Between Young Poong – Korea Zinc Based on Mutually Beneficial Cooperation

**Targeting YP 1.** ***"Continuing business with Young Poong is putting the interest of Young Poong's shareholders first"***

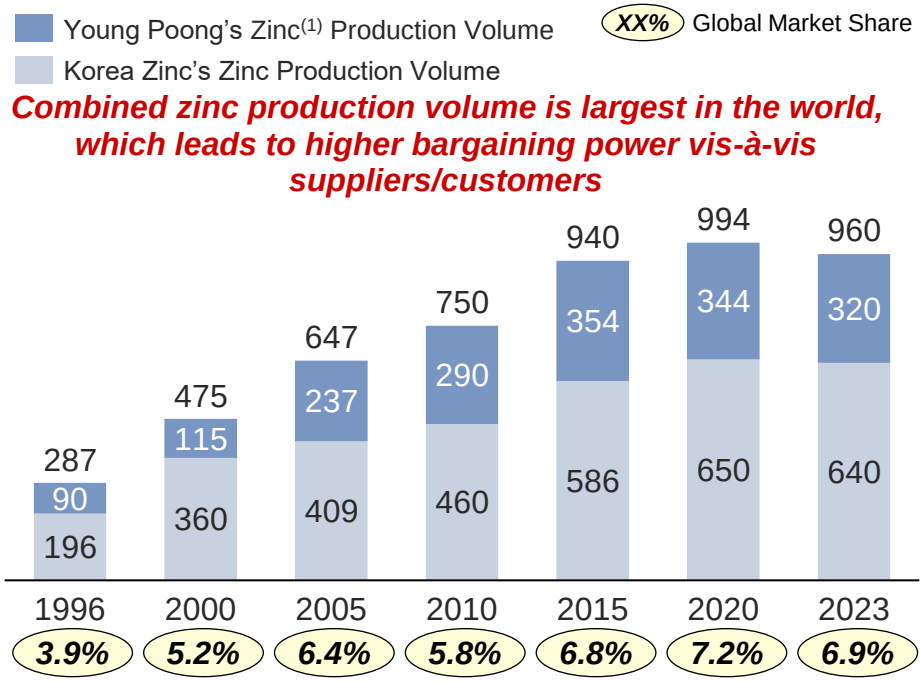
- Young Poong and Korea Zinc has **created synergies across the value chain** based on **mutually beneficial cooperation**. Terminating their business relationship will **weaken operating efficiency and the competitive advantage of both companies** as result of reduced bargaining power vis-à-vis suppliers /customers, higher raw material costs and overlapping logistics costs.
- Therefore, the relationship between Young Poong and Korea Zinc is **also beneficial to Korea Zinc.** In fact, Korea Zinc benefits more from lower raw material costs and higher sales margins because its production volume is higher.

## Business Cooperation Within the Value Chain

***Synergies created across the value chain, except production***

| | |
|---|---|
| Procurement | Jointly procure zinc ore and other raw materials at favorable terms, ensuring stable supply and higher margins |
| Production/ Smelting | *Young Poong operates the Seokpo smelter, Korea Zinc operates the Onsan smelter* |
| Sales | Jointly sell zinc ingots and other products to end-customers |
| Resource Recycling | Korea Zinc recycles valuable metal and silver by-products produced from Young Poong's Seokpo smelter |

## Combined Zinc Production Volume (thousand M/T)



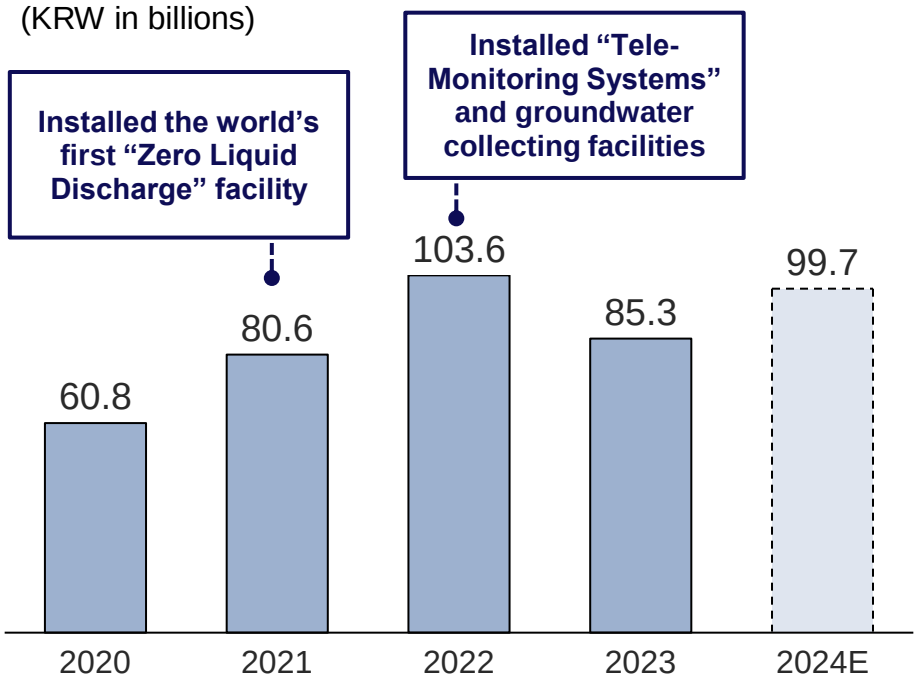

(1) Stated as 'zinc ingots' in Young Poong's annual report; in general, 'zinc ingots' are zinc that are refined/minted for industrial use but referred here as 'zinc' for simplicity.

# Young Poong Continues Its Commitment to Preventing Environmental and Safety Issues

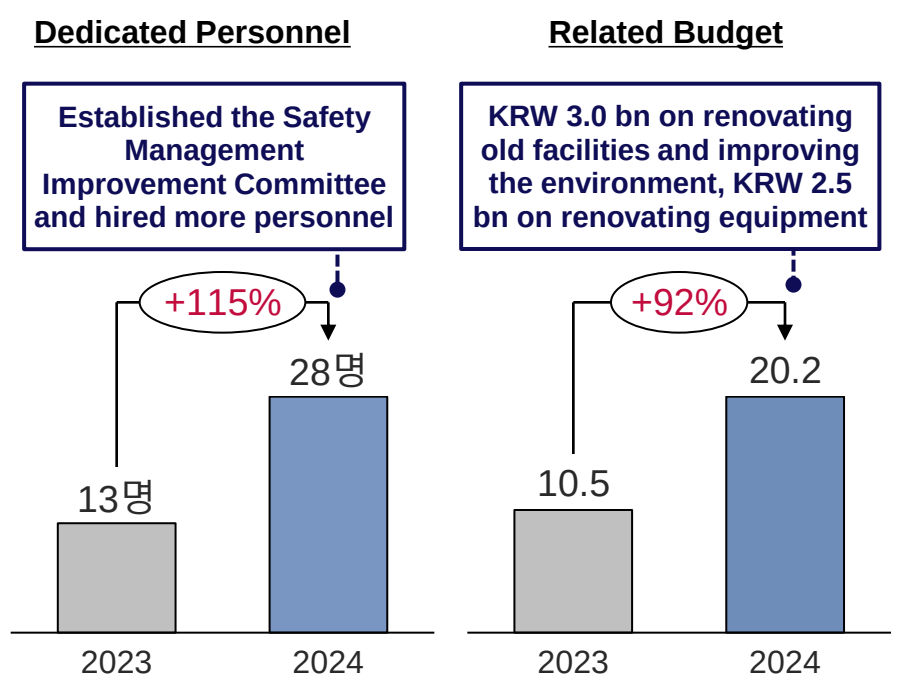
**Targeting YP 2.** ***"Environmental and safety issues continue to occur at Young Poong"***

- Located at the upper reaches of the Nakdong River, the Seokpo smelter began to have environmental issues as tighter environmental restrictions were introduced over time. Young Poong **continues to deploy CapEx to improve its environmental issues and is seeing tangible results.**
- The smelting industry inevitably has higher safety risks compared to other industries. Korea Zinc is no different. Young Poong is enhancing its safety procedures and renovating old facilities **to establish a safe work environment and prevent accidents**.

## YP's Investment to Improve Environmental Issues




## YP's Investment to Improve Safety Issues






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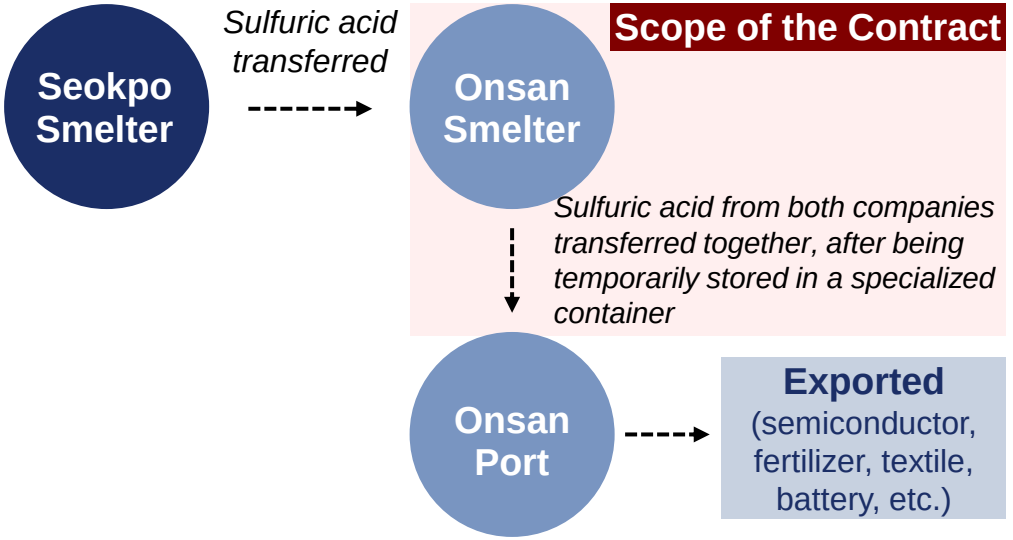
# Both Parties Signed a Sulfuric Acid "Logistics Contract"

**Targeting YP 3.** ***"Young Poong continues to force Korea Zinc to manage its sulfuric acid"***

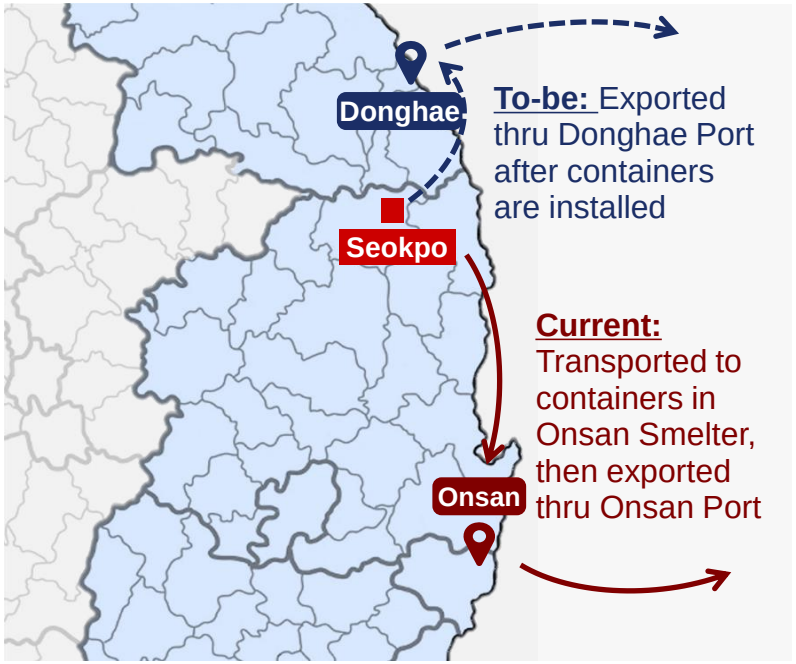
- Since singing a sulfuric acid treatment outsourcing contract in 2003, Young Poong has been paying Korea Zinc for using its containers and pipelines.
- Sulfuric acid is a by-product that is produced from zinc smelting and is used as raw material for semiconductor production, etc. Therefore, the outsourcing contract was signed with Korea Zinc for the purpose of transporting raw materials, not for disposing industrial waste as falsely claimed by Chairman Choi.
- Once Young Poong obtains consent of the local community and completes the installation of containers and other necessary equipment, it will have **no issues exporting its sulfuric acid through Donghae Port**.

## The Sulfuric Acid Treatment Outsourcing Contract

***Payment for 'storage' in containers and 'transportation' through pipelines***




## Export Routes Thru Donghae and Onsan



# MBKP's Strong Track Record of Creating Value, Working Hand In Glove with Capable Board of Directors and Management

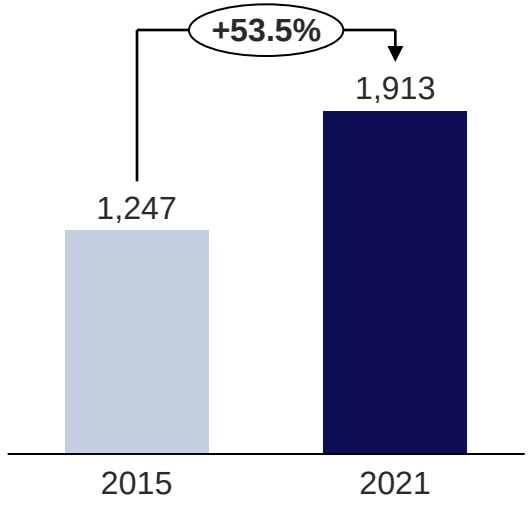
**Targeting MBKP 1.** ***"MBKP lacks experience and knowledge in the smelting industry and cannot present a business plan of its own"***

- We at MBKP are not experts in a specific industry. However, MBKP has been able to invest in a wide range of companies and successfully create value because **we are experts in bringing together the best people in the industry to a company's board and management and providing full support for them to enhance value of the investee company**.
- The Consortium's role is to **support industry experts manage Korea Zinc** and **allow the new board of directors to effectively guide and monitor the Company's management**.

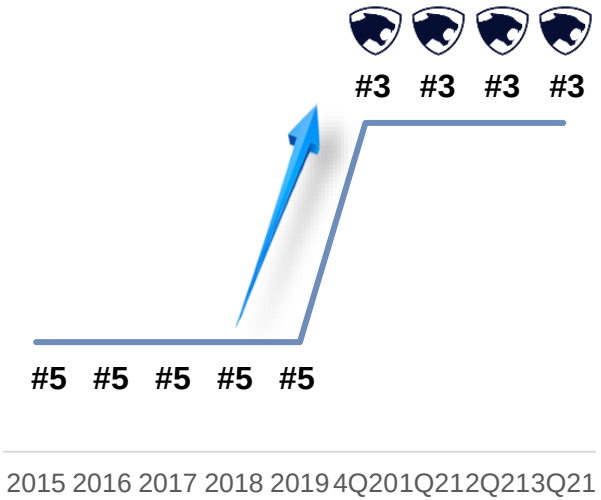
## Value Creation Case Study of Doosan Machine Tools ("DMT," currently "DN Solutions")

### Revenues

(KRW in billions)




### Global Ranking




**During MBKP's investment period, DMT emerged as one of the top 3 machine tools manufacturer in the world.**

- After MBKP's investment DMT expanded its product portfolio and global dealer network, increased production capacity and introduced premium and specialty products

**DMT's growth was possible not because MBKP was an expert in machine tools, but because MBKP supported capable managers, allowing them to make the right business decisions effectively and efficiently.**

# MBKP's Top Priority: Creating Value at Its Portfolio Companies

**Targeting MBKP 2.** ***"MBKP destroys shareholder value of acquired companies by selling assets and declaring huge dividends"***

- MBKP's top priority is creating value at its portfolio companies, **committed to the development of core businesses as well as long-term growth drivers**. MBKP has **never sold core assets or excessively received dividends** has continued to enhance ESG by providing strong job security and improving the work environment.
- The MBKP-YP Consortium has already declared that, after securing control of Korea Zinc, it plans to implement **principled, predictable and transparent policies to restore shareholder value**, **recover investments in irrelevant businesses** and **reinvest in new growth initiatives** to **enhance the value of all shareholders**.
- Choi, Yun-beom is dismissing MBKP's successful investments based on **anecdotal accusations** and not on "**facts**."

## Fact-Checking Accusations on MBKP Portfolio Companies

**Homeplus**

- Despite competition from online platforms and headwinds in off-line commerce, converted **14,000 temporary workers into full-time employees**.
- **Continues to invest in renovating offline stores** as well as online channels.
- **No dividends or capital returns were paid to MBKP**. Cash dividends were only paid to investors of preferred shares(1)(domestic pension funds) that were issued to improve the company's capital structure.
- Choi, Yun-beom's accusations related to the company's financials are based on distorted accounting data, which were restated due to changes in IFRS accounting policies.

**bhc**

- Disputes with certain franchisees started under the former CEO.
- The CEO who caused the dispute was dismissed by the BoD led by MBKP.
- **MBKP is committed to growing together with franchisees and the local community.**

**ING**

- The early-retirement plan implemented in 2014 was contemplated before MBKP's acquisition.
- MBKP negotiated with the labor union after investment and executed the plan under terms more favorable than the industry average.

## Restoring Shareholder Value

*MBKP-YP plans to **restore shareholder value** primarily thru **three initiatives**.*

1. Stock split
2. Cancellation of all treasury shares
3. Regular disclosure of dividend policy

## Recover and Reinvest

*Simultaneously, will seek to repair the damage caused by Chairman Choi's reckless spending of company cash*

1. Recover investments in **non-core businesses**
2. Reinvest in **core smelting business and new business development**

(1) Preferred shares are treated as debt.

# MBKP's Top Priority: Creating Value at Its Portfolio Companies

**Targeting MBKP 3.** ***"We are concerned Korea Zinc's performance will deteriorate and its value will fall after MBKP's acquisition"***

- MBKP aims to **enhance shareholder value** and **create value at its portfolio companies** by **upgrading core businesses as well as driving new business opportunities**.
- Among the 77 investments made over the past 20 years, there have been numerous examples of MBKP successfully improving financial performance and creating value of the investee company. However, Choi, Yun-beom continues to bring up a small number of past investments that struggled **due to unavoidable external circumstances**, denigrating **MBKP's successful investment track record** and **value creation expertise**.
- One of MBKP's most successful investments, DMT, is located at the same Kyungnam area as Korea Zinc(1).

## Fact-Checking Accusations on MBKP Portfolio Companies

D'LIVE TV

**Financial performance improved significantly for 5 years after investment, but deteriorated afterwards due to unavoidable external circumstances. Cannot be considered as MBKP's failure in value creation.**

- Choi, Yun-beom's claim that the acquisition was 100% debt-financed is false.
- **Revenues and EBITDA significantly improved from 2008 till 2013.**
- The underperformance after 2014 was due to regulatory changes that intensified competition with IPTV service providers.

영화엔지니어링 YOUNG HWA CON & ENG.CO.,LTD

**Unavoidable external circumstances. Cannot be considered as MBKP's failure.**

- Major construction companies (e.g., GS E&C) incurred huge losses after most construction projects were terminated in the Middle East due to the European debt crisis and plunging oil prices.
- Young Hwa Engineering, a supplier to these major construction companies, was inevitably faced with financial underperformance.

NEPA

**Unavoidable external circumstances. Cannot be considered as MBKP's failure.**

- The slowing outdoor apparel market adversely affected NEPA's performance.
- **Returned to profitability** in 2022 after initiating an overall renewal of the company's fundamentals to address the evolving outdoor/athleisure market post-COVID.

## One Example of MBKP's Success

Doosan Machine Tools → **DMT (DN Solutions)**

| | Pre-acquisition (2015) | | Post-acquisition (2021) | |
|---|---|---|---|---|
| **Sales** | | | | |
| | KRW1.2 tn | +54% | KRW 1.9 tn | |
| **Market Share** | | | | |
| Korea | 27% | +8%p | 35% | #1 |
| China | 2% | +4%p | 6% | #2 |
| U.S. | 7% | +6%p | 13% | #4 |
| Italy | 26% | +6%p | 32% | #1 |
| U.K. | 16% | +10%p | 26% | #2 |
| **Global Ranking** | | | | |
| | #5 | | #3 | |

(1) Please see Appendix for MBKP's value creation case studies.

# 1. Rebuttal to Korea Zinc's Insufficient Explanations

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# Insufficient Explanation on the Issues Raised by the Consortium (1/2)

| Issues Raised by the Consortium | Explanations by Chairman Choi | Remaining Issues |
|---|---|---|
| **1 Declining Indicators Since Chairman Choi's Appointment** | | |
| **1-1 Low TSR after Chairman Choi's appointment** | Higher than the share price and TSR of its domestic peers. | Distorted explanation based on arbitrary selection of companies with low similarity and time periods. |
| **1-2 Low ROCE and PBR compared to its peers** | Sufficient ROCE and PBR is highest among its peers. | |
| **1-3 Deteriorated profit after Chairman Choi's appointment** | Higher than domestic and global industry peers in the past 10 years. | Chairman Choi did not provide any explanation on the deteriorated profit since Chairman Choi's appointment. |
| **2 Investments Unrelated to Core Businesses Incur Losses** | | |
| **Net Loss Resulted from Investing in Unrelated Businesses** | MBKP arbitrarily adjusted the numbers. In reality, there is accumulated profit. | There is no error in the Consortium's analysis, and the explanation is based on lack of understanding as well as taking a distorted view of the issues raised by the largest shareholder. |
| **3 Poor Execution of New Business Initiatives** | | |
| **3-1 Fall in share price due to Troika Drive's failure to meet market's expectation** | Change in stock price is due to macro market conditions and not the Company's entrance into new businesses. | Korea Zinc admitted that new businesses have been unduly delayed as compared to their announcements but has failed to provide any evidence that those businesses will be back on track in the near future. |
| **3-2 If the current investment plan is executed, Korea Zinc will incur a debt of KRW 12 trillion** | The Consortium distorts the numbers by setting the term to be until 2029. | Even based on the Company's explanation, there are concerns of meaningful deterioration to the financial metrics for the next 5 years, and such concerns would be amplified in the event of any further delays to the new businesses coming back on track. |
| **3-3 Increase of Korea Zinc's debt ratio due to making excessive investments** | The tender offer by the Consortium is the reasons for the increase of the debt ratio, but the debt will be promptly repaid given Korea Zinc's ample cash generating capacity. | The Consortium opposed the illegal self-tender due to a number of issues including the resulting increase in the Company's debt ratio. Chairman Choi proceeded in any event despite (and in complete disregard of) the largest shareholder's objections, and as such, Chairman Choi and the current board of directors should bear responsibility for the resultant burden that has been placed on Korea Zinc. |
| **3-4 Lack of progress in Troika Drive's new business other than nickel and precursor business** | New business that was invested with a 10-year outlook. | Korea Zinc admitted that there were undue delays to the new businesses but have failed to provide any evidence that those businesses will be back on track in the near future. It is confirmed that the Consortium and Chairman Choi's faction are in agreement with respect to the directionality of the new business. |

# Insufficient Explanation on the Issues Raised by the Consortium (2/2)

| Issues Raised by the Consortium | Explanations by Chairman Choi | Remaining Issues |
|---|---|---|
| **4 Deteriorating Corporate Governance Under the Current Board** | | |
| **4-1 Igneo Holdings: acquisition without proper due diligence and at an excessively high valuation** | Obtained external advice and proceeded after two board resolutions. | More questions about the Igneo Holdings investment are being raised despite the repeated explanation. The explanation itself clearly indicates that the business value of Igneo Holdings at the time of its acquisition was not high. |
| **4-2 Immediately implement measures to protect deteriorated shareholder value due to failed corporate governance** | Planning to strengthen the board's independence, expertise and diversity. | The current, failed board has continued in office. In its current state, significant governance reform is not realistically feasible. |
| **4-3 Deterioration of shareholder value to protect management control (related to general public offering)** | These were measures to enhance shareholder value, such as market stabilization through increased liquidity and expanding shareholder participation. | These are clear actions that have caused deterioration in shareholder value, and Chairman Choi's explanation serves only to reveal Chairman Choi and the current board's remorselessly self-serving attitude. |
| **4-4 Board's Lack of Supervision of Investment Execution** | All investments follow due process and involve external advisors. | The OneAsia Partners investment was not reported to the board and together with the failed investment in Igneo, are prime examples of the board's failure to properly perform its supervisory role. |



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# 1 Declining Indicators Since Chairman Choi's Appointment

**To counter MBKP-Young Poong's criticism citing consistent benchmarks based on 'business similarity,' Choi, Yun-beom is consistently making distorted claims based on arbitrary, inconsistent benchmarks.**

**More importantly, Choi, Yun-beom is avoiding the key concern that major indicators have all 'started to decline' since his appointment as chairman.**

| Underperforming Indicators Since Chairman Choi's Appointment | Benchmarks Proposed by MBKP-YP | Benchmarks Proposed by Choi, Yun-beom |
|---|---|---|
| **Stock Price** | **<u>Consistently</u> applied the following benchmarks**<br>▪ **[Indices] MSCI ACWI: Metals & Mining Index (GICS: 151040)**<br>▪ **[Comps] Global companies with high nonferrous metal smelting business exposure**<br>*Including industry comps with high nonferrous metal smelting business exposure included in the **"ISS Proxy Analysis & Benchmark Policy Voting Recommendations"** report published by ISS, the proxy advisory firm, in March 2024.* | ▪ **[Indices] KRX Steel Index**<br>▪ **[Comps] Young Poong** |
| **TSR** | | ▪ **[Indices] KRX Steel Index**<br>▪ **[Comps] Young Poong** |
| **ROCE** | | ▪ **[Comps] Young Poong** |
| **PBR** | | ▪ **[Comps] Posco Holdings, Poongsan, SeAH Holdings, Hyundai Steel, Young Poong** |
| **Profitability** | **Pointed out Korea Zinc's <u>accelerating decline in profitability</u> without referencing a particular benchmark** | ▪ **[Comps] Nyrstar, Toho Zinc, Aurubis, Zhuzhou Smelter Group, Young Poong** |

# 1-1. Underperforming TSR

*Choi, Yun-beom's Claim: "Korea Zinc's share price and TSR all outperformed domestic peers and industry benchmarks"*

**MBKP-YP: Compared with the right peers, Korea Zinc's share price and TSR clearly underperformed**

## Distorted Claims Based on Inadequate Benchmark

| Choi, Yun-beom's Rationale | Irrelevant Because… | MBKP-YP's Rationale | Relevant Because… |
|---|---|---|---|
| **Reference**<br>**KRX Steel Index** | This index comprises **steel manufacturers and nonferrous metal (copper, aluminum) minting companies**, which are fundamentally different from Korea Zinc's nonferrous metal smelting business.<br>Includes: Posco Holdings, Hyundai Steel, Poongsan, SeAH Steel | **Reference**<br>**KOSPI 200**<br>**MSCI ACWI: Metals & Mining (GICS: 151040)**<br>**Comps**<br>**Global companies with high business similarities** | ▪ These indices were included in the March 2024 **"ISS Proxy Analysis & Benchmark Policy Voting Recommendations" report**.<br>▪ The comps are included in the same **GICS(1) category** as Korea Zinc.<br>▪ The comps have **high nonferrous metal (zinc, lead, copper, nickel) smelting business exposure.** |

## Distorted Claims Based on Arbitrary Time Period

| Choi, Yun-beom's Rationale | Irrelevant Because… | MBKP-YP's Rationale | Relevant Because… |
|---|---|---|---|
| **Time Period**<br>**March 22, 2019 – August 31, 2024** | Korea Zinc's stock price around August 31, 2024, **temporarily increased(2)** based on the market's anticipation that the management dispute will intensify and not the result of fundamental enhancement of shareholder value. | **Time Period**<br>**January 1, 2023 – December 31, 2023** | ▪ These indices were included in the March 2024 **"ISS Proxy Analysis & Benchmark Policy Voting Recommendations" report**.<br>▪ The most objective reference point is **the 1st year since Choi, Yun-beom was appointed to the top position of chairman**, when **Korea Zinc's value started to deteriorate.** |

(1) Global Industry Classification Standard
(2) Higher share price at the end of the period leads to higher TSR value. Choi, Yun-beom is deliberately choosing August 31 as the period-end for TSR calculation.

# 1-2. Underperforming ROCE, PBR Against Industry Comps

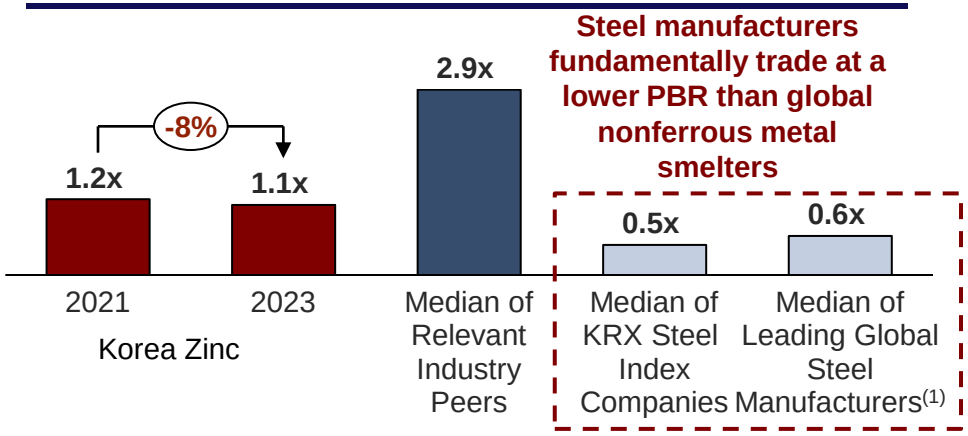
*Choi, Yun-beom's claim: "Korea Zinc's ROCE and PBR are higher compared to comparable companies in the industry"*

**MBKP-YP: Compared with the right peers, Korea Zinc's ROCE and PBR are clearly low and declining**

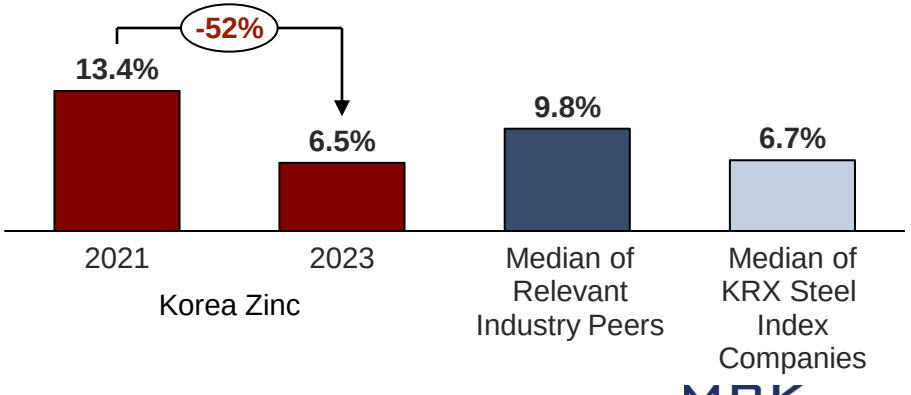
## Distorted Claims Based on Inadequate Comps

| Choi, Yun-beom's Rationale | Irrelevant Because… | MBKP-YP's Rationale | Relevant Because… |
|---|---|---|---|
| **Comps**<br>**P Holding Co. – Posco Holdings**<br>**P Co. – Poongsan**<br>**S Co. – SeAH Holdings**<br>**H Co. – Hyundai Steel** | ▪ They are **steel manufacturers and nonferrous metal (copper, aluminum) minting companies**, which are fundamentally different from Korea Zinc's nonferrous metal smelting business.<br>▪ They **fundamentally trade at a lower PBR than global nonferrous metal smelters**.<br>− Korea Zinc's ROCE is **actually lower**. | **Comps**<br>**Global nonferrous metal smelters with high similarities with Korea Zinc:**<br>**H Co., Z Co., S1 Co., S2 Co., B Co., N Co., G Co.** | They are companies with **significant business exposure to nonferrous metal** (zinc, lead, copper, nickel) **smelting.** |

## 2023 PBR




## 2023 ROCE




Source: S&P 500 Capital IQ

(1) Leading steel companies based in the US, Europe and Japan.



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# 1-3. Deteriorating Profitability (1/2)

*Choi, Yun-beom's claim: "Korea Zinc's revenues and profitability outperformed comparable domestic and global companies in the industry"*

**MBKP-YP: Choi, Yun-beom is not referencing the right peer group; profitability on a consolidated basis is deteriorating at a faster pace since Chairman Choi's appointment**

## Distorted Claims Based on Inadequate Comps

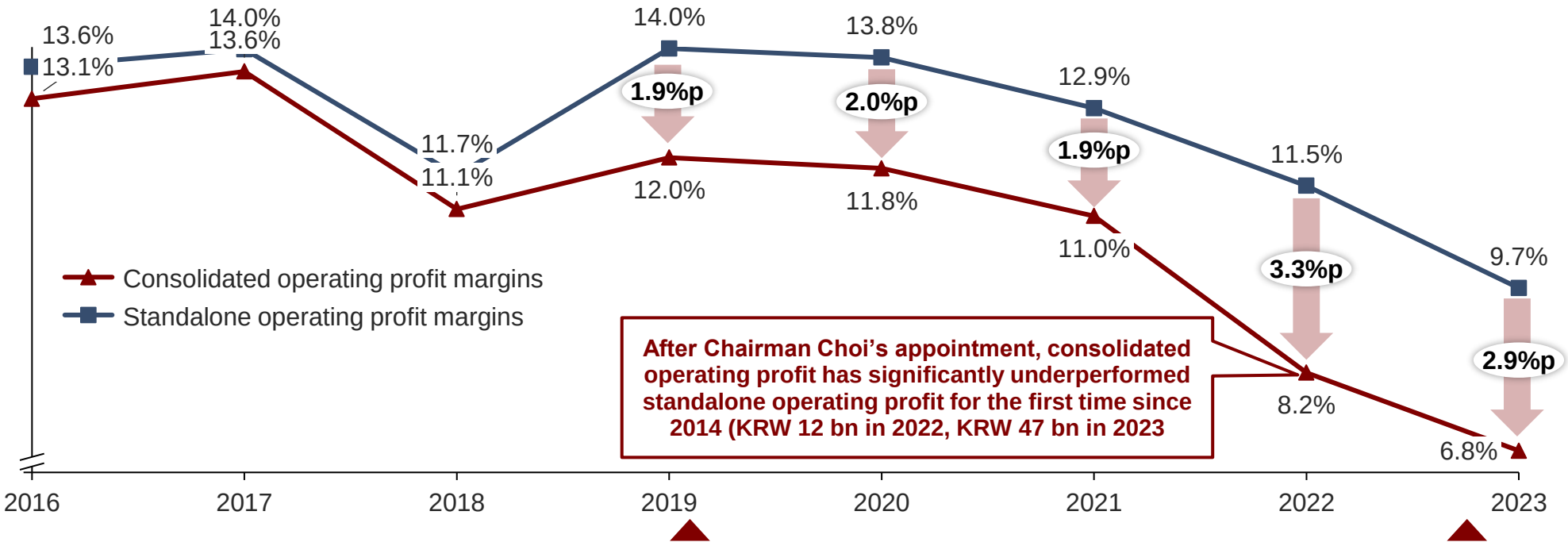
| Choi, Yun-beom's Rationale | Irrelevant Because… |
|---|---|
| **Comps** | **Idiosyncratic Risk – Distressed Asset** |
| **N Co. – Nyrstar** | ▪ Since 2019, Nyrstar has been a **shell company** with Trafigura owning 98% of its operating assets.<br>▪ Since the "Glencore shock" in 2011(1) Nyrstar was **unable to operate normally due to perpetual financial difficulties.**<br>▪ Nyrstar is going through corporate restructuring, selling its mines at steep discounts as financial troubles continue. |
| **T Co. – Toho Zinc** | **Idiosyncratic Risk – Distressed Asset**<br>▪ Toho Zinc is a **small Japanese company** that is 1/10 the size of Korea Zinc<br>▪ In 2023, it announced **strong corporate restructuring plans** after recording poor operating profit margins as its mining business continues to struggle. |
| **A Co. – Aurubis** | **Inadequate for comparing profitability – Different Business Model**<br>▪ Korea Zinc continues to expand into scrap copper collection as part of its Troika Drive initiative, but **copper smelting using recycled copper fundamentally generates lower operating margins than other smelting operations**.<br>▪ In fact, LS MnM, the copper smelting company, generates operating profit margins of 3-4% and its recycled copper smelting operations also generate similar margins. |
| **Z Co. – Zhuzhou** | **Different governance structure – De facto state-owned enterprise**<br>▪ China Minmetals, a company owned by a Chinese provincial government, owns 54% of the company. Therefore, it is practically a state-owned enterprise.<br>▪ Its financial performance reflects the **fundamental difference in operations.** |

(1) In 2011, Glencore, a key customer and 7.8% shareholder, merged with Xstrata. In this connection, Glencore terminated all contracts with Nyrstar and sold its ownership in Nyrstar, as ordered by the European Commission. As a result, all of Glencore's mining projects financed by providing contracts with Glencore as collateral defaulted and revenues and earnings were severely affected.

# ❶-3. Deteriorating Profitability (2/2)

**The essence of the MBKP-Young Poong's criticism is that, notwithstanding Korea Zinc's strong core business fundamentals, (i) reckless acquisitions without proper due diligence and (ii) aggressive expansion into unproven new businesses since Choi, Yun-beom's leadership as CEO accelerated the deterioration of the Company's consolidated earnings.**

- It is true that Korea Zinc's operating profit margins are affected by external factors such as the industry cycle of the core smelting business as well as periodic increases in costs (e.g., electricity price hikes).
- However, **the pace and degree of the earnings deterioration has been aggravated compared to previous declines affected by external factors** since Chairman Choi's appointment.



# ❷ Investments Unrelated to Core Businesses Incur Losses (1/2)

*Choi, Yun-beom's claims: "Investments were made in core businesses. Information provided by MBKP are factually inaccurate"*

**MBKP-YP: Choi, Yun-beom is drawing attention away from the key issues with false data**

- Choi, Yun-beom recklessly made investments into businesses unrelated to the core smelting business or new business initiatives, **squandering the Company's cash**.
- The current board of directors, whose responsibility is to monitor and guide management, **has ceased to function**.

| Choi, Yun-beom's Rationale | Irrelevant Because… |
|---|---|
| **KRW 113 billion in investments related to the core business were arbitrarily categorized as 'other investments'** | **It is factually incorrect – it was not arbitrarily categorized as 'other investments'** |

| Investment | Initial Cost | Rationale for Categorizing as 'Other Investments' |
|---|---|---|
| Global Battery No. 1 | KRW 4 bn | ▪ **Small scale** investment in a **venture capital fund.**<br>▪ **Difficult to expect direct business synergies** with Korea Zinc's EV battery material business. |
| DS Investment Energy Scale Up Partner New Technology Investment Trust | KRW 4 bn | ▪ **Small scale** investment in a **venture capital fund.**<br>▪ **Difficult to expect direct business synergies** with Korea Zinc's renewable energy business. |
| Hyzon Motor | KRW 105 bn | ▪ **Investment into an underperforming company without proper due diligence.**<br>▪ **Practically bankrupt** as of now.<br>▪ **In 2023, the U.S. SEC imposed a civil penalty of $25 million, for allegedly misleading investors.** |
| **Total** | **KRW 113 bn** | |

**Miscalculated KZAM's acquisition cost of KRW 60 bn as KRW 6 bn under core investments**

**It is factually incorrect – KRW 60 bn was accurately accounted for**



MBK PARTNERS

# ❷ Investments Unrelated to Core Businesses Incur Losses (1/2)

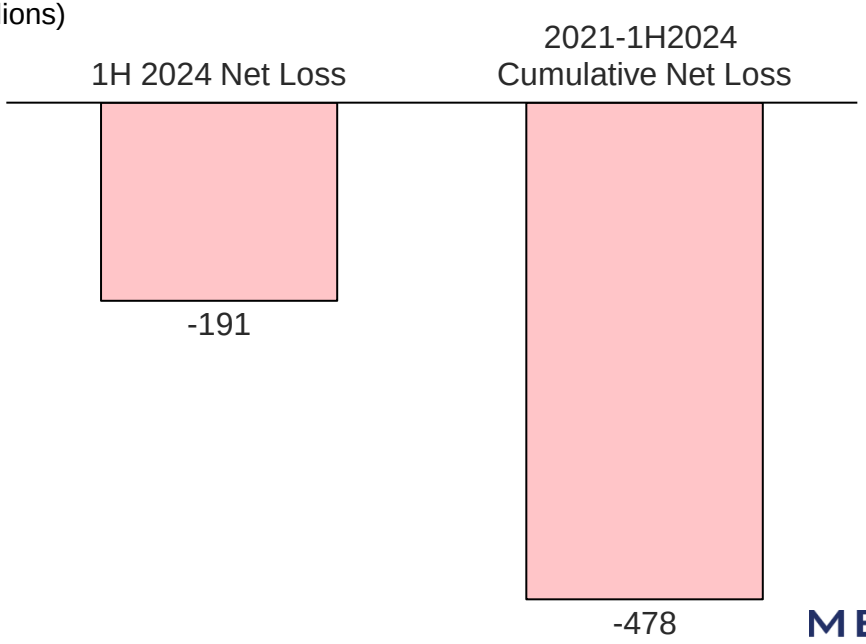
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- The current board of directors, whose responsibility is to monitor and guide management, **has ceased to function**.

| Choi, Yun-beom's Rationale | Irrelevant Because… |
|---|---|
| **MBKP arbitrarily adjusted accumulated financials to derive negative performance results of investee companies** | **It is factually incorrect – No adjustments were made to the disclosed financial results included in Korea Zinc's annual report** |

(KRW in billions)






MBK PARTNERS

# 3 Poor Execution of New Business Initiatives

*Choi, Yun-beom's claim: "There are no problems with the new business initiatives. The problem is MBKP's lack of understanding"*

**MBKP-YP: None of the issues raised by the MBKP-YP Consortium were addressed, while even the short responses were based on distorted facts**

| | | | | |
|---|---|---|---|---|
| **Initial Issues Raised by MBKP-YP** | Share prices fell due to the market's lukewarm response on Troika Drive | KRW12 tn+ of debt expected by 2029 under current plan | Troika Drive initiatives other than nickel sulfate/ precursors have not made much progress | Korea Zinc's leverage ratio deteriorated due to reckless investments |
| **Chairman Choi's Explanation** | Share price trend is more correlated with **zinc prices and industry trends** | **Misinformed leverage forecast** by excluding recoupment plans between 2030-2033 | **Most are on schedule,** but e-waste, used EV battery and copper foil businesses are falling behind | **MBKP-Young Poong's tender offer** is responsible for Korea Zinc's leverage deterioration |

**MBKP-YP's Rebuttal**

**Overall Business Plan**

A

Korea Zinc's Troika Drive business plan is overly optimistic because **it does not reflect (i) recent market developments including the EV chasm and (ii) its failure to obtain its own capabilities by acquiring Igneo Holdings**. In fact, **the Company itself has admitted** in its IR Discussion Material that certain Troika Drive initiatives are falling behind its original plan.

- Choi, Yun-beom **has not responded to the detailed issues raised** by the MBKP-Young Poong Consortium over its overly optimistic business plan. Instead, he continues to respond with comments like "MBKP-Young Poong does not understand the business" or "there are no problems with the Company's debt," **which obscure the real issues.**

**Distort-ing Facts**

B

**Not true**
The share prices of other comparable companies show a different trend during the suggested time period.

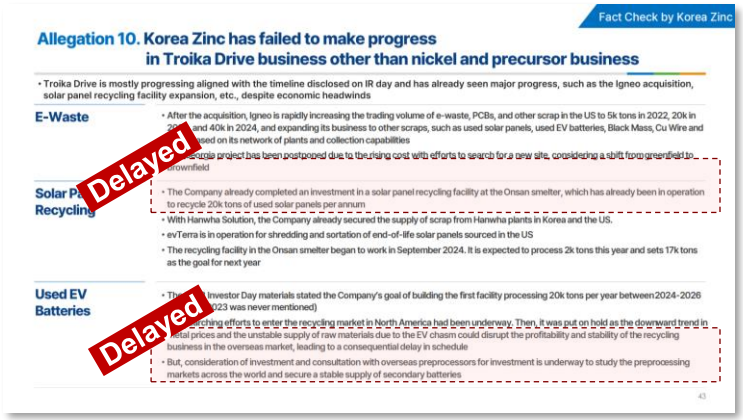
C

MBKP-YP opposed the self-tender offer precisely due to concerns over increasing leverage. **Chairman Choi and the BoD went ahead despite objection from the largest shareholder**.

# A Delayed Troika Drive, Unanswered Questions

- In Korea Zinc's IR Discussion Material distributed in December 2024; the Company itself has admitted that the ramp-up of e-waste/used EV battery recycling and copper foil businesses is being delayed, as pointed out by the Consortium.
- However, no detailed explanations related to the two business segments were provided.

## Korea Zinc's IR Discussion Material


Fact Check by Korea Zinc

**Allegation 10. Korea Zinc has failed to make progress in Troika Drive business other than nickel and precursor business**

- Troika Drive is mostly progressing aligned with the timeline disclosed on IR day and has already seen major progress, such as the Igneo acquisition, solar panel recycling facility expansion, etc., despite economic headwinds

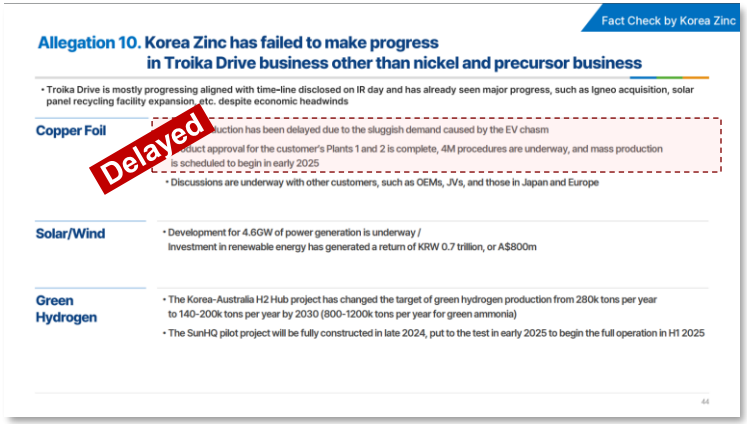
**E-Waste**
- After the acquisition, Igneo is rapidly increasing the trading volume of e-waste, PCBs, and other scrap in the US to 5k tons in 2022, 20k in 2[illegible] and 40k in 2024, and expanding its business to other scraps, such as used solar panels, used EV batteries, Black Mass, Cu Wire and [illegible]sed on its network of plants and collection capabilities
- [illegible]Georgia project has been postponed due to the rising cost with efforts to search for a new site, considering a shift from greenfield to brownfield

Delayed

**Solar P[illegible] Recycling**
- The Company already completed an investment in a solar panel recycling facility at the Onsan smelter, which has already been in operation to recycle 20k tons of used solar panels per annum
- With Hanwha Solution, the Company already secured the supply of scrap from Hanwha plants in Korea and the US.
- evTerra is in operation for shredding and sortation of end-of-life solar panels sourced in the US
- The recycling facility in the Onsan smelter began to work in September 2024. It is expected to process 2k tons this year and sets 17k tons as the goal for next year

**Used EV Batteries**
- Th[illegible] Investor Day materials stated the Company's goal of building the first facility processing 20k tons per year between2024-2026 [illegible]023 was never mentioned)
- [illegible]rching efforts to enter the recycling market in North America had been underway. Then, it was put on hold as the downward trend in [illegible]etal prices and the unstable supply of raw materials due to the EV chasm could disrupt the profitability and stability of the recycling business in the overseas market, leading to a consequential delay in schedule
- But, consideration of investment and consultation with overseas preprocessors for investment is underway to study the preprocessing markets across the world and secure a stable supply of secondary batteries

Delayed


Fact Check by Korea Zinc

**Allegation 10. Korea Zinc has failed to make progress in Troika Drive business other than nickel and precursor business**

- Troika Drive is mostly progressing aligned with time-line disclosed on IR day and has already seen major progress, such as Igneo acquisition, solar panel recycling facility expansion, etc. despite economic headwinds

**Copper Foil**
- [illegible]uction has been delayed due to the sluggish demand caused by the EV chasm
- [illegible]duct approval for the customer's Plants 1 and 2 is complete, 4M procedures are underway, and mass production is scheduled to begin in early 2025
- Discussions are underway with other customers, such as OEMs, JVs, and those in Japan and Europe

Delayed

**Solar/Wind**
- Development for 4.6GW of power generation is underway / Investment in renewable energy has generated a return of KRW 0.7 trillion, or A$800m

**Green Hydrogen**
- The Korea-Australia H2 Hub project has changed the target of green hydrogen production from 280k tons per year to 140-200k tons per year by 2030 (800-1200k tons per year for green ammonia)
- The SunHQ pilot project will be fully constructed in late 2024, put to the test in early 2025 to begin the full operation in H1 2025

## MBKP-YB's Understanding and Unanswered Key Questions

**E-Waste/ Used EV Battery Recycling**

- Originally, the purpose of the Igneo acquisition was to obtain (i) a scrap/used battery collection network and (ii) pre-processing/recycled material processing capabilities (U.S. Georgia plant construction).
- (i) Korea Zinc claims that Igneo is rapidly increasing trading volume, but we suspect such trading to be low-margin scrap purchases from 3rd party collectors. **It is still unclear how adequate Igneo's own collection capabilities are**.
- (ii) Korea Zinc admitted that the Georgia project has been postponed. Furthermore, **it is unclear whether Igneo has pre-processing/recycled material processing capabilities required to operate a recycling plant.**

**Copper Foil**

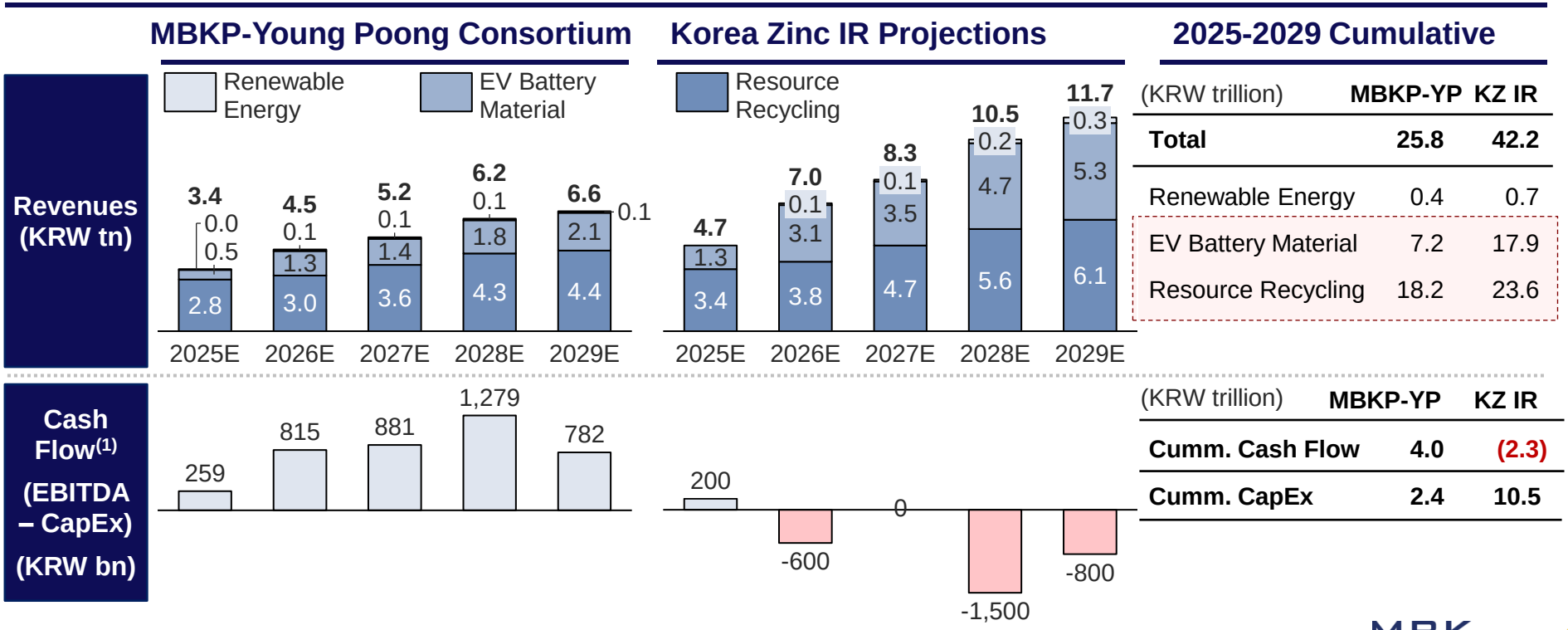
- Initial production, which was scheduled to start in 2023, has been delayed for more than a year.
- (i) We understand this is due mainly to the EV chasm, but **no amendments to the target or timeline has been made**.
- (ii) More importantly, it is unclear whether Korea Zinc has **the necessary manufacturing technology or sales capabilities** that are required to do business in an industry that requires high technology standards (ultra-thin, high durability, high-stretch material), regardless of the industry cycle.

# A Korea Zinc's Overly Optimistic Troika Drive Plans (1/2)

## MBKP-Young Poong Consortium vs. Korea Zinc IR Projections

- The Consortium projects cumulative revenues from Korea Zinc's new business to be KRW25.8 trillion over the next five years. The main areas the Consortium's projections diverge from Korea Zinc's IR projections are EV battery material and resource recycling, which the Company expects to generate 5-year cumulative revenues of KRW17.9 trillion and KRW23.6 trillion, respectively. Korea Zinc's projections are overstated because it does not reflect: (i) the current demand-supply imbalance caused by the EV chasm and oversupply of copper foil; and (ii) the missed opportunity to obtain essential capabilities by acquiring Igneo Holdings.
- The Consortium intends to prioritize investments and remain efficient and rational in deploying capex to improve the Company's margins and maintain strong cash flow.

### Revenue and Cash Flow Projections from Troika Drive Over the Next Five Years




**2025-2029 Cumulative**

| (KRW trillion) | MBKP-YP | KZ IR |
|---|---|---|
| **Total** | **25.8** | **42.2** |
| Renewable Energy | 0.4 | 0.7 |
| EV Battery Material | 7.2 | 17.9 |
| Resource Recycling | 18.2 | 23.6 |

| (KRW trillion) | MBKP-YP | KZ IR |
|---|---|---|
| **Cumm. Cash Flow** | **4.0** | **(2.3)** |
| **Cumm. CapEx** | **2.4** | **10.5** |

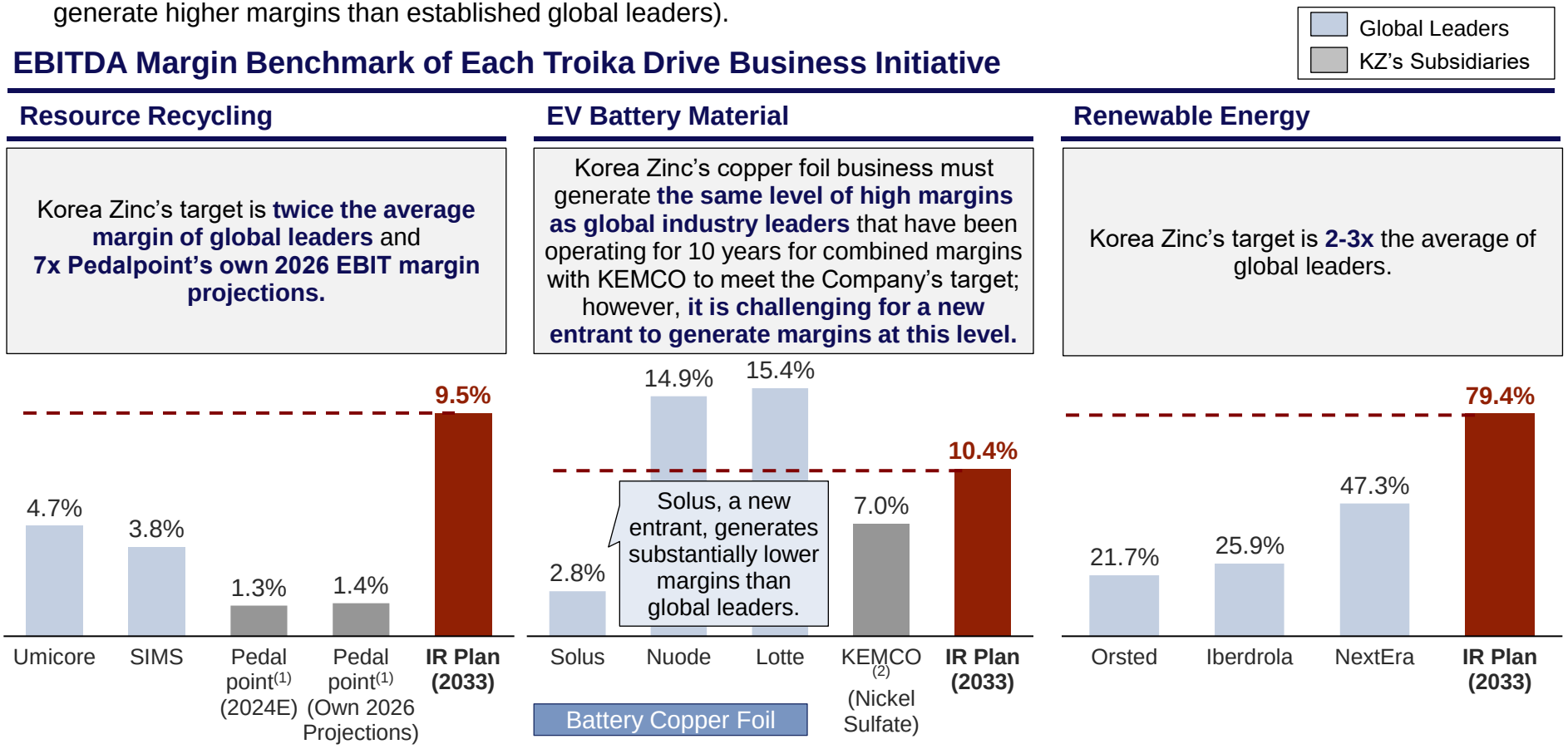
Source: Korea Zinc's 2023 IR Presentation (chart figures in the IR Presentation estimated to the nearest KRW trillion).
(1) Consolidated EBITDA and CapEx basis.

# A Korea Zinc's Overly Optimistic Troika Drive Plans (2/2)

## Korea Zinc's Overly Optimistic New Business Margin Projections

- The only profitability projection disclosed by the Company related to Troika Drive is its 2033 target EBITDA margins.
- The Company's EBITDA margin target is highly aggressive compared to EBITDA margins of global leading comparable companies, not to mention both the actual results and own projections of Korea Zinc's subsidiaries. The Company has not provided an explanation as to how the EBITDA margin target can be justified (e.g., how the new entrant Korea Zinc can generate higher margins than established global leaders).

### EBITDA Margin Benchmark of Each Troika Drive Business Initiative




Note: Figures represent average margins from 2021-2023, unless otherwise stated.
(1) Only EBIT projection was disclosed.
(2) KEMCO's 2023 EBITDA margins of -12.5% assumed as an outlier and averaged 2021-2022 margins instead.



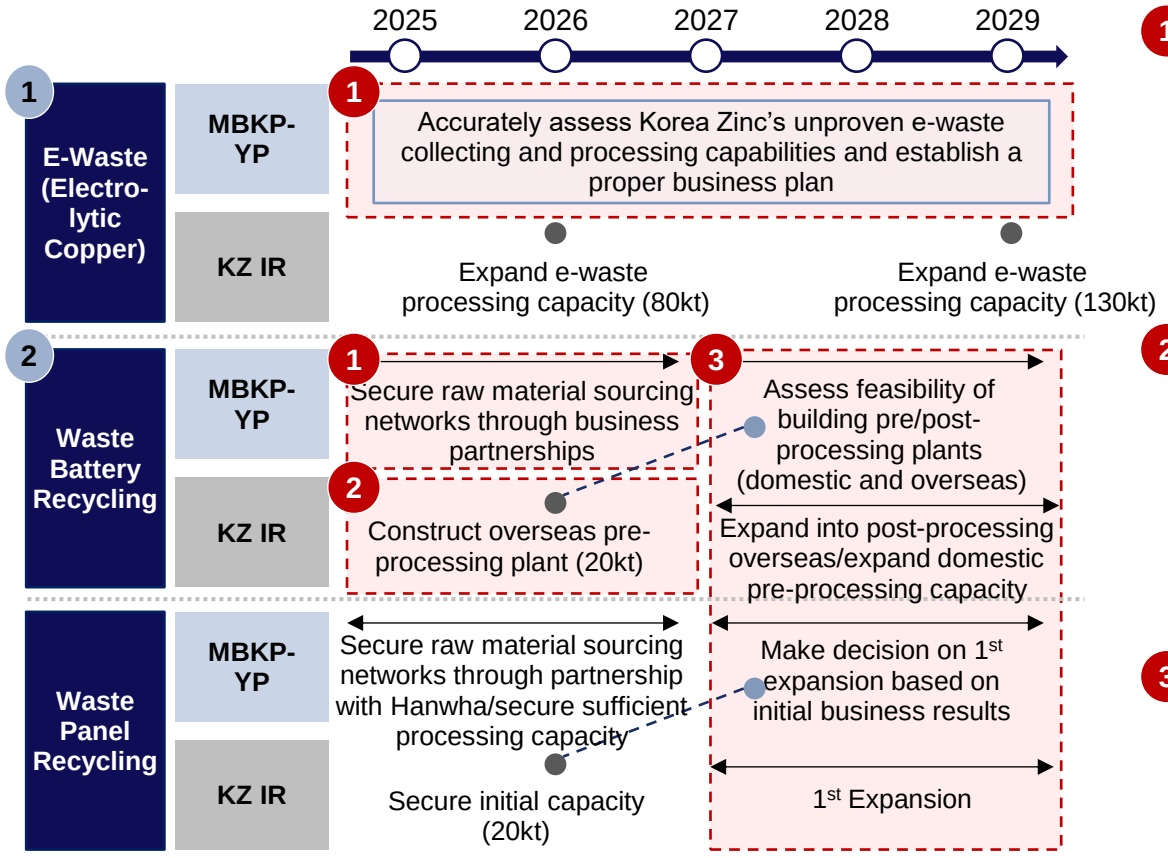
MBK PARTNERS

# A MBKP-Young Poong's New Business Plan Details (1/2)

## Resource Recycling Plan Details

- The success of the resource recycling business depends primarily on whether the Company can secure a steady supply of e-waste, waste batteries and waste panels. The Company failed to realize its initial plans to establish a meaningful business by acquiring Igneo Holdings and has yet to provide a clear explanation on whether it obtained its own scrap collecting and pre-processing capabilities.
- Waste battery and waste panel processing demand is expected to ramp up in 2030. Therefore, it is important to establish a sound business foundation by building the necessary capabilities step-by-step, rather than building facilities all at once.

### Resource Recycling Plan Comparison




### Description

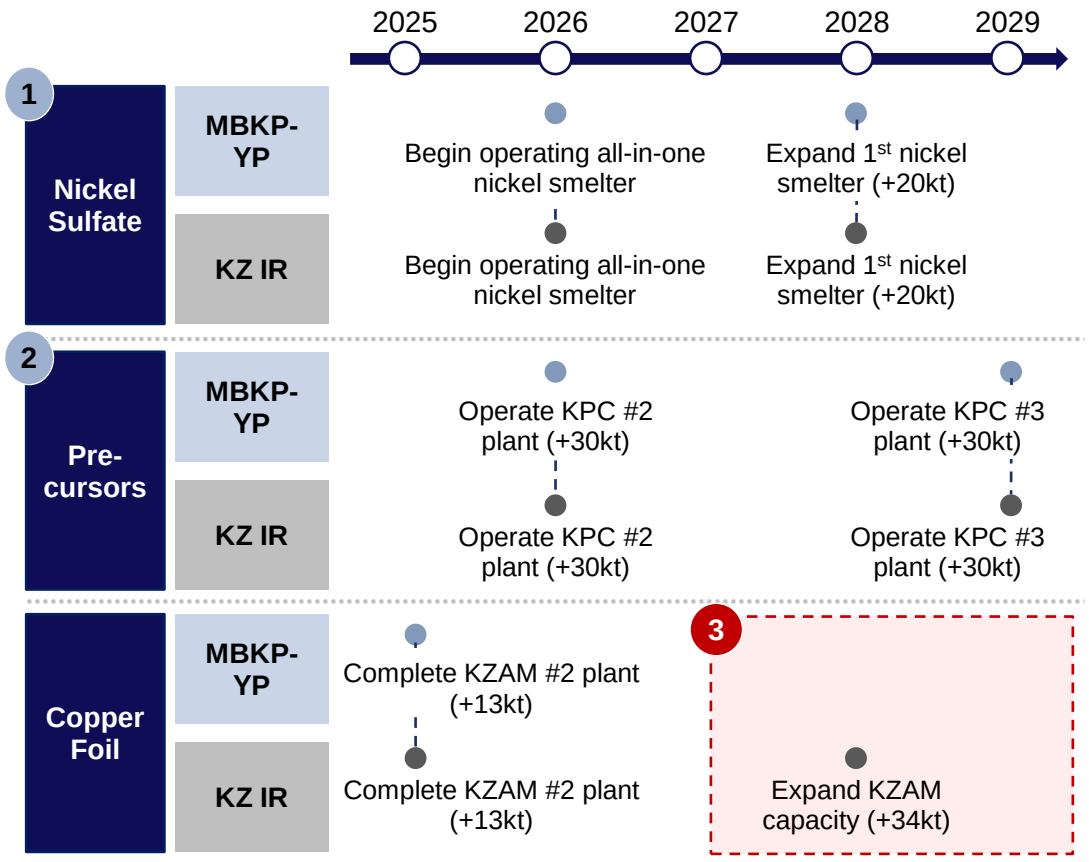
1. The Company **failed to obtain its own e-waste/waste battery collecting and pre-processing capabilities by acquiring Igneo Holdings**. Currently, Igneo and Kataman seem to engage mainly in low-margin trading (i.e., procuring waste collected by 3rd parties) instead of directly collecting waste through its own hubs. Need to review alternative solutions, including forming business partnerships or acquiring additional companies.
2. At the time of acquisition, Igneo Holdings announced that it plans to build a waste battery recycling plant in Savana, Georgia. However, **after the acquisition, the plant construction plan was dropped and no additional plans have been announced. Therefore, the feasibility of building a pre-processing** plant must be re-evaluated and alternative methods to obtain relevant capabilities must be reviewed.
3. Demand for waste battery/waste panel processing **is expected to ramp up in 2030.** Also, Korea Zinc failed to realize its initial plans to obtain the critical scrap collecting capabilities. Therefore, it is important **to build necessary capabilities step-by-step, rather than just building facilities** to gain leadership after 2030.

# A MBKP-Young Poong's New Business Plan Details (2/2)

## EV Battery Material Plan Details

- The main area the Consortium's projections diverge from Korea Zinc's IR projections regarding EV battery material is copper foil. The Consortium believes that industry prospects and Korea Zinc's competitive advantage are much more favorable in nickel sulfate and precursors and will proceed according to the Company's plan.
- The Consortium believes it will be difficult to generate meaningful revenues and earnings from the EV copper foil business in the short run, due to the on-going EV chasm and oversupply. Currently, the most pressing goal is to develop customer relationships so that the Company can start building a track record of sales after the #2 plant construction is completed in 2025.

### EV Battery Material Business Plan Comparison




### Description

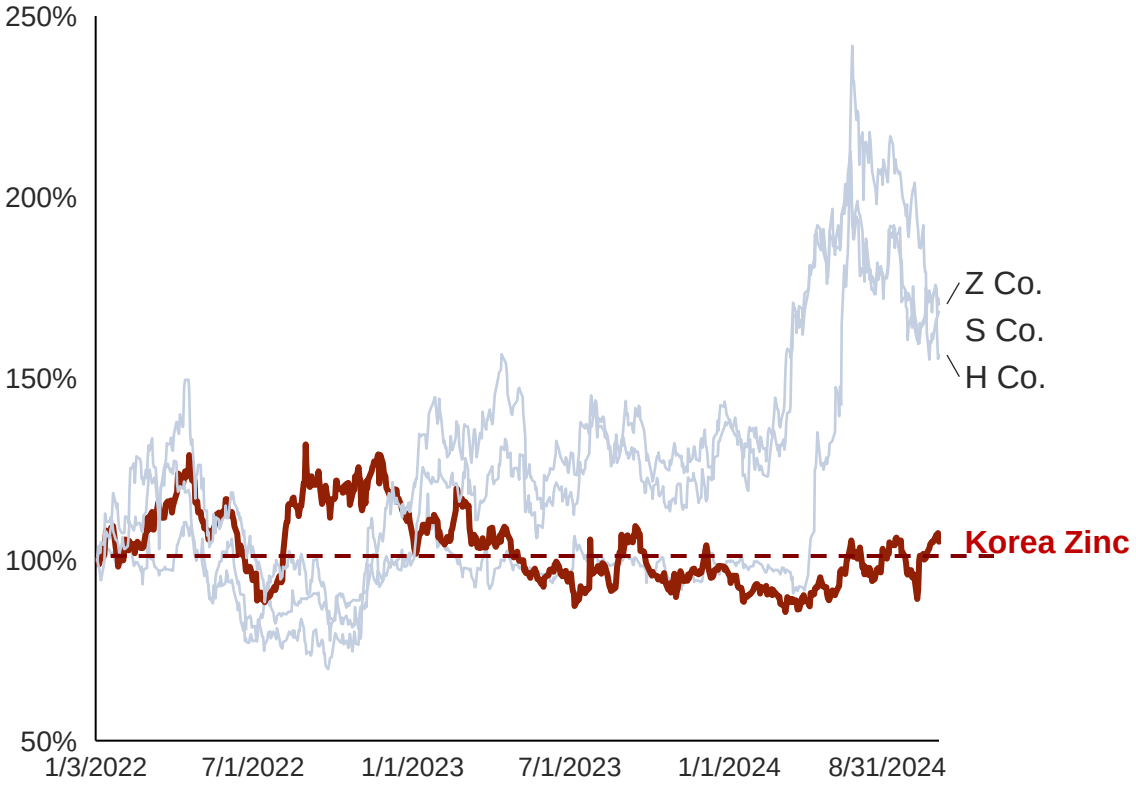
1. The Consortium believes industry prospects, competitive dynamics and Korea Zinc's competitive advantage are positive. Therefore, **successfully operating the All-in-One Nickel Smelter as planned and developing sales capabilities** is the highest priority.
2. The precursor business through KPC is expected to steadily grow under the partnership with LG Chemical. Therefore, the Consortium will proceed **according to the Company's plan.**
3. The Consortium will finalize the construction of the #2 plant currently under way, **but plans to flexibly adjust the capacity expansion scheduled for 2028 based on market conditions.**
   - Market conditions: due to the EV chasm, the original production plan has been delayed by more than one year.
   - Sales: Since multiple copper foil manufacturers already have long-term contracts with battery manufacturers, it will take time for Korea Zinc to develop sales opportunities and build a track record.
   - In addition, since new entrants are forced to accept lower spreads (60%-70% of global leaders), initial margins are expected to be lower compared to the Company's plan.

# B Shares Declined Due to Lukewarm Response Over Troika Drive

*Choi, Yun-beom's claim: "Shares declined due to zinc price and industry trends"*

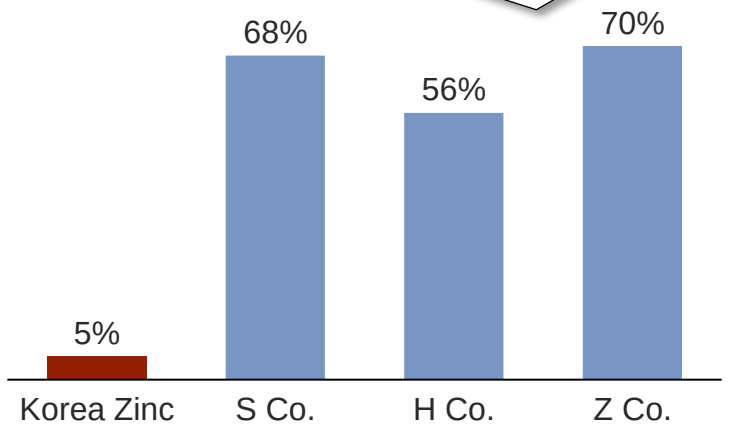
**MBKP-YP: The share prices of other comparable companies show a different trend during the suggested time period**

## Share Price Trends of Global Comparable Companies (1/3/2022-8/31/2024, Indexed 100%=1/3/2022)




## Share Price Performance (100%=1/3/2022)

- The shares of global leading comps **recorded much higher growth than Korea Zinc** during the time period suggested by Choi, Yun-beom.
- Therefore, Korea Zinc's poor share price performance was not merely due to zinc price and industry trends as suggested by Chairman Choi, but **due to the market's disappointment over the lack of results.**






MBK PARTNERS

# C Rising Leverage Due to Reckless Investments

*Choi, Yun-beom's claim: "MBKP-Young Poong's tender offer is responsible for Korea Zinc's leverage deterioration"*

**MBKP-YP: Chairman Choi and the current board of directors are responsible for proceeding with the reckless self-tender offer, despite objections from the largest shareholder**

## MBKP-YP Opposed the Self-tender Offer Due to Concerns Over Increasing Leverage, But Chairman Choi Proceeded Anyway to Protect His Own Interests

***MBK "Korea Zinc's KRW2.7 trillion debt…leverage ratio to go up to 95%, destroying shareholder value"***

*…Leverage ratio to go up to 95% from the previous 36.5%, may result in a credit rating downgrade…*

서종갑 기자 | 2024-10-04 09:06:38 | Industry

***Balance Sheet of Korea Zinc before and after the Self-tender***

**2024년 6월 말 연결 재무상태표**

(억 원)

| 자산 | | 부채 및 자본 | |
|---|---|---|---|
| 현금 및 현금성 자산(1): | 21,277 | 차입금(2): | 14,107 |
| 기타 자산: | 111,931 | 기타 부채: | 21,511 |
| 자산 총계: | 133,208 | 부채 총계: | 35,618 |
| | | 자본 총계: | 97,590 |

부채비율 (부채 총계 / 자본 총계) = 36.5%
(순 현금)/EBITDA = (0.63)x

**자사주 공개매수 이후 연결 재무상태표**

(억 원)

| 자산 | | 부채 및 자본 | |
|---|---|---|---|
| 현금 및 현금성 자산(1): | 25,277 | 차입금(2): | 45,107 |
| 기타 자산: | 111,931 | (+)신규 단기차입금(3) | 31,000 |
| 자산 총계: | 137,208 | 기타 부채: | 21,511 |
| | | 부채 총계: | 66,618 |
| | | (-) 자사주 소각 | (27,000) |
| | | 자본 총계(4): | 70,590 |

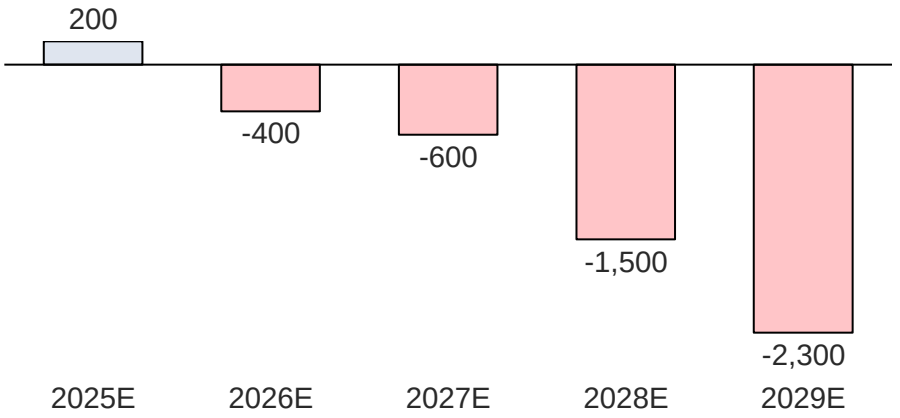
부채비율 (부채 총계 / 자본 총계) = 94.4%
순 차입금/EBITDA = 1.73x

(1) 현금 및 현금성 자산, 단기금융기관예치금, 단기투자자산 포함. 회사가 신규 발행한 CP 4천억 포함.
(2) 이자부부채 및 리스부채 포함.
(3) 금번 자사주매입 공시 상의 2.7조원 및 신규 발행한 CP 4천억 포함.
(4) 단기차입금의 3.1조원 증가에 따른 이자비용 부담은 고려하지 않음.

## Based on Korea Zinc's New Business Projections, Operating Cash Flow Continues to Deteriorate, Adversely Affecting the Company's Ability to Pay Down Debt

**Korea Zinc's Cumulative Cash Flow(1) Projections**

(KRW in billions)




Source: Source: Korea Zinc's 2023 IR Presentation (chart figures in the IR Presentation estimated to the nearest KRW trillion).
(1) Consolidated EBITDA – Consolidated CapEx.



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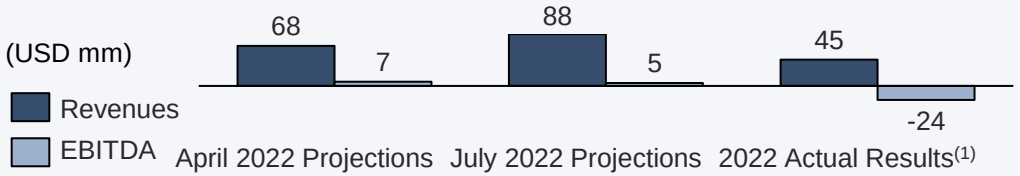
# 4-1. Igneo Holdings: Poor Due Diligence, Excessive Valuation (1/2)

*Choi, Yun-beom's clam: "The acquisition of Igneo was conducted with external advisory(IB & Consulting firm)"*

**MBKP-YP: Chairman Choi's explanation itself reveals that Igneo's value was not substantial at the time of acquisition.**

**Poor Due Diligence**

| Choi, Yun-beom's Explanation | MBKP-Young Poong's Rebuttal |
|---|---|
| ***"The acquisition of Igneo was thoroughly reviewed over a year with global consulting firms, including … KPMG, Skadden and Ramboll alongside JP Morgan"*** | ▪ Selecting advisory firms **does not guarantee proper due diligence**.<br>▪ Compared to April 2022 projections, July 2022 EBITDA was revised down, but **revenues were higher**. **This goes against** the claim that July 2022 reflects "real projections."<br>▪ **2022 actual results significantly underperform latest projections**. Given that projections for the first year were vastly inaccurate, it is hard to accept Chairman Choi's claims that (i) the acquisition **was thoroughly reviewed,** reflecting the Company's verification of the seller's plan and (ii) **performance will improve in 2025 and beyond.** |
| ***"April reporting was intended to present progress; July 2022 reflects the real projection"*** | |
| ***"Revenue projected gradual improvements predicted in 2025 and beyond if sourcing increases and plant in Georgia is put into operation"*** | |
| ***"The Georgia project was withdrawn due to its rising cost and a delayed subsidy from the U.S. DOE. Once the Company's pyrometallurgy construction is completed in 2025, PCBs and other scrap copper from Igneo could be directly used"*** | ▪ The final cancellation of the Georgia project was announced in **June 2023**. The cost of the Georgia project **roughly quadrupled ($350 mm), translating into a payback period of 50 years, from the initial projections ($82-95 mm) in less than a year**.<br>▪ Given that Igneo's valuation included the ability to "**produce a high-grade, sustainable, clean copper concentrate,**"(2) not the ability to merely collect and supply raw materials, claiming that PCBs will be used after 2025 is the same as **admitting that the Company failed to conduct proper due diligence**. |




(1) Igneo's 2022 audit report covers the period of July 2022 to 2022 year-end. Therefore, the results are annualized.
(2) P.13, 2Q22, Korea Zinc Earnings Release.

# 4-1. Igneo Holdings: Poor Due Diligence, Excessive Valuation (2/2)

*Choi, Yun-beom's clam: "The acquisition of Igneo was conducted with external advisory(IB & Consulting firm)"*

**MBKP-YP: Chairman Choi's explanation itself reveals that Igneo's value was not substantial at the time of acquisition.**

| | Choi, Yun-beom's Explanation | MBKP-Young Poong's Rebuttal |
|---|---|---|
| **Excessive Valuation** | ***"The Company concluded that the value of Igneo lies in its network in the United States, the world's largest producer of e-waste, where it can get the stable supply of raw materials. Based on this conclusion, Igneo's 2025 EBITDA estimate was multiplied by the industry's average of 7-9 to calculate the proper valuation"*** | ▪ Korea Zinc's IR presentation in 2022 describes Igneo's key value proposition to be the ability to "**produce a high-grade, sustainable, clean copper concentrate**."<br>**1. Basic Information of Igneo**<br>. Igneo is a leading e-waste recycler<br>. Proven, scalable, proprietary process to convert low-grade e-waste to sustainable, clean copper concentrate<br>. Produces a high-grade, sustainable, clean copper concentrate<br>▪ However, Chairman Choi's recent explanations reduced Igneo's value to "its network … where it can get the stable supply of raw materials." This is an admission that **Igneo's value as a business is lower than anticipated at the time of the acquisition.**<br>▪ If collection was Igneo's value proposition, it is no different from Kataman's U.S. and global scrap collecting/trading business. **Kataman was acquired at an enterprise value of roughly 4x(1)**.<br>▪ Korea Zinc claims that the valuation of 7-9x 2025 projected EBITDA is reasonable, but **it is extremely rare to base the acquisition price on 3-year forward EBITDA**. Due to poor due diligence, **it seems highly unlikely that Igneo's earnings will turn positive in 2025**. Therefore, **even the acquisition price based on 2025 EBITDA look excessive.**<br>▪ Korea Zinc's acquisition value of Igneo is **11x the valuation ascribed by Igneo's CB investors** 1 year prior.<br>(USD mm) 27.5 300.0<br>CB Investor Valuation (May 2021) Korea Zinc's Valuation (July 2022) |

(1) Kataman was acquired for $5.5 mm and its 2021-2023 average EBIT was $1.3 mm. Kataman's D&A information is not disclosed for this period. Even if we assume D&A to be zero, which is a favorable assumption to Chairman Choi's claims since it understates EBITDA, the enterprise value of Kataman at acquisition is roughly 4.3x EBITDA.

# 4-2. Current board caused failed corporate governance (1/3)

*Choi, Yun-beom's claim: "Korea Zinc's Board is composed of experts. Young Poong's Board has two insiders who are currently facing criminal trials along with the company itself…the other board members fail to meet the required BSM qualifications"*

**MBKP-YP: Korea Zinc's current board failed to exercise proper corporate governance. Therefore, a restructuring of the board of directors is necessary.**

## Current Board's Problems

### Failures in the Oversight of Management

- Approval or complicity in destructive self-tender offer and general public offering
- Lack of board resolutions and follow-up supervisory actions regarding investments unrelated to Korea Zinc, such as OneAsia Partners

**Destruction of Company and Shareholder Value (~KRW 2.5tn Over the Past 5 Years)**

### Lack of Expertise in Expansion in Global Markets and Investment in New Businesses

- Reckless investments disregarding rechargeable battery market conditions and renewable energy market growth rates
- Approval of inefficient investments, such as Igneo Holdings, stemming from inadequate due diligence due to lack of M&A expertise

**Declining Profitability due to Limitations in Strategic Direction Setting and Execution**

### Lack of Independence from the Second Largest Shareholder

- Prioritization of the current management's defense of its control without consideration of shareholder value
- Complicity in conflict-of-interest issues, including transactions with companies operated by Chairman Choi's relatives (Jungseok Enterprise and CS Design Group)

**Excessive Concentration of Power to Chairman Choi**

***"Restructuring of the board of directors is necessary"***



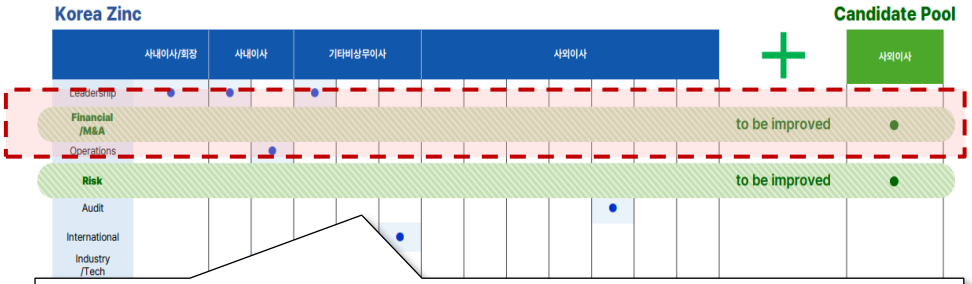
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# 4-2. Current board caused failed corporate governance (2/3)

*Choi, Yun-beom's claim: "Korea Zinc's Board is composed of experts. Young Poong's Board has two insiders who are currently facing criminal trials along with the company itself…the other board members fail to meet the required BSM qualifications"*

**MBKP-YP: Korea Zinc's current board failed to exercise proper corporate governance. Therefore, a restructuring of the board of directors is necessary.**

## Korea Zinc's Plan to Strengthen Its Board in its Explanatory Materials




- As a result of the Consortium's persistent efforts to highlight issues, the current board has come to recognize its **deficiencies in finance and M&A expertise**, as well as its **lack of effective oversight capabilities**.
- However, among the seven director candidates nominated by the board, only one nominee (Lee Sang Hoon) is a finance/M&A expert. This **response is woefully inadequate given the severity of the issue.**
- Furthermore, nominee Lee Sang Hoon **does not appear to have a sufficient track record** of managing and overseeing complex financial and M&A decisions, such as large-scale investments and business restructuring.

## Comparison with Other Domestic Companies' Board Compositions

Example: POSCO Holdings' 2024 AGM Materials

| Category | | Serving Outside Directors | | | | Re-Appointment | | New Appointment |
|---|---|---|---|---|---|---|---|---|
| | | Park, Heui-Jae | Yoo, Jin-Nyoung | Sohn, Sung-Kyu | Kim, Joon-Gi | Yoo, Young-Sook | Kwon, Tae-Kyun | Park, Sung-Wook |
| Skill | Management General | ① ESG ·Sustainability Management | ● | ● | ● | ● | ● | ● | ● |
| | | ② Leadership | ● | ● | ● | ● | ● | ● | ● |
| | | ③ Risk Management | ● | ● | ● | ● | ● | ● | ● |
| | Industry Specific | ① Industry Experience | ● | ● | - | - | - | - | ● |
| | | ② Technology, Digital and Innovation | ● | ● | - | - | ● | - | ● |
| | | ③ Finance and Accounting | ● | - | ● | ● | - | ● | ● |
| | | ④ Law and Public Policy | ● | ● | - | ● | ● | ● | - |
| | | ⑤ International Project Management | - | ● | - | ● | - | ● | ● |
| | | ⑥ Business Development / M&A | ● (Former venture CEO) | ● | - | - | - | - | ● |
| General Overview | | Year of Initial Appointment | 2019 | 2022 | 2022 | 2023 | 2021 | 2021 | 2024 |
| | | Date of Birth | Jan 27, 1961 | Jul 26, 1957 | Dec 16, 1959 | May 13, 1965 | May 29. 1955 | Nov 28, 1955 | Jan 8, 1958 |
| | | Gender | Male | Male | Male | Male | Female | Male | Male |

In the case of POSCO Holdings, a domestic steel and metals company focused on strategically advancing new businesses, **70% of the board of directors (5 out of 7 members) are outside directors with expertise in finance and M&A**.



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# 4-2. Current board caused failed corporate governance (3/3)

*Choi, Yun-beom's claim: "Korea Zinc's Board is composed of experts. Young Poong's Board has two insiders who are currently facing criminal trials along with the company itself…the other board members fail to meet the required BSM qualifications"*

**MBKP-YP: Korea Zinc's current board failed to exercise proper corporate governance. Therefore, a restructuring of the board of directors is necessary.**

- The director candidates nominated by the Consortium demonstrate strong capabilities across all nine areas.
- In contrast, the new nominees proposed by Korea Zinc do not appear to sufficiently address gaps in the board's lack of capabilities, despite Korea Zinc's focus on improving finance/M&A/risk management.

| | Board-proposed Nominees | | Consortium's Nominees |
|---|---|---|---|
| **Total** | **18** | | **15** |
| **BSM average(%)** | **20%** | | **35%** |
| Industry Expertise | 33% (6/18) | = | 33% (5/15)[2] |
| Enhance Enterprise Value | 11% (2/18) | < | 33% (5/15) |
| M&A/Investment | 17% (3/18) | < | 33% (5/15) |
| Finance/Accounting | 28% (5/18) | < | 40% (6/15) |
| Legal | 22% (4/18) | < | 33% (5/15) |
| Risk Management | 11% (2/18) | < | 33% (5/15) |
| ESG | 17% (3/18) | < | 53% (8/15) |
| Global | 22% (4/18) | < | 47% (7/15) |
| Diversity | 17% (3/18) | > | 7% (1/15) |

**The Consortium's proposed Board offers complete independence.**

The nominees proposed by the Consortium include experts who can reinforce overall expertise with outstanding capabilities in **Management/Industry/Law/ESG**, compared to the current directors and the 7 new nominees.

The nominees proposed by the Consortium hold **commanding advantage in M&A, Investment, Enhancement of Enterprise Value**, which are essential capabilities to drive Korean Zinc's long-term growth.

The nominees proposed by the Consortium include Finance/Accounting/Risk Management experts critical to Korea Zinc's risk management and technology protection, along with legal experts focused on **Corporate law and Patent law**, while nominees proposed by Korea Zinc still lack relevant competency.

The nominees proposed by MBKP-Young Poong aims to enhance its **Social Responsibility(S) and Governance(G)** expertise to contribute to improved governance of Korea Zinc.

Secured **directors equipped with global experience** who can contribute to developing a global value-chain and new businesses which forms the core of the Troika Drive.



(1) Although Mr. Chang, Hyung-jin of Young Poong is not included in the list of nominees as he is a member of the current board, he will contribute with his industry expertise together with the new board.

# 4-3. General Public Offer: Defending Control at the Expense of Shareholder Value

*Choi, Yun-beom's claim: "The general public offer aims to enhance shareholder value"*

**MBKP-YP: A clear violation of shareholder value; Chairman Choi showing no sign of remorse**

| | Choi, Yun-beom's Explanation | MBKP-Young Poong's Rebuttal |
|---|---|---|
| **To respond to abnormal trading behaviors** | ***"A surge in stock price unlike a typical downward trend following a tender offer"***<br><br>***"Market volatility was exacerbated, as shown in a new high on Oct 24"***<br><br>***"The necessity arises to stabilize the price in response to the unpredictability of the market"*** | ▪ **There is no prove correlation between a general public offer and stock price stability.** In fact, Korea Zinc's share price **became more volatile after the general public offer**.<br>▪ Chairman Choi **induced the share price increase** by raising the offer price during the self-tender offer, **then induced the share price plunge by launching the general offer**. His purpose must have been to (i) derail the Consortium's tender offer and (ii) **facilitate the subscription of friendly investors and ESOP to the general public offer**. This may constitute a direct violation of the Capital Markets Act(1). |
| **To provide more supply** | ***"More supply is needed to address the uncertainties in the market"*** | ▪ There were many alternatives to provide more liquidity (e.g., stock split), but **Chairman Choi pushed forward with a general public offer**. |

(1) Capital Markets Act article 178, clause 1 paragraphs 1, 2, article 178 clause 2.



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# 4-3. General Public Offer: Defending Control at the Expense of Shareholder Value

*Choi, Yun-beom's claim: "The general public offer aims to enhance shareholder value"*

**MBKP-YP: A clear violation of shareholder value; Chairman Choi showing no sign of remorse**

| | Choi, Yun-beom's Explanation | MBKP-Young Poong's Rebuttal |
|---|---|---|
| **To improve Korea Zinc's capital structure** | ***"Korea Zinc plans to use the proceeds of approximately KRW2.5 trillion from the public offer to repay KRW2.3 trillion of debt …"*** | ▪ The fact that the offer price was at a 30% discount, to repay debt incurred during the self-tender offer, **directly contradicts with the claim that the general public offer was launched to enhance shareholder value**.<br>▪ **It was Chairman Choi** that went ahead with the general public offer despite **the protest of the largest shareholder, precisely because it would hurt Korea Zinc's financial stability.** |
| **To establish good governance practices** | ***"A public offering was selected to invite both the existing shareholders and general investors"*** | ▪ The general public offer was (i) an offer to the public, not to existing shareholders, (ii) offered at a 30% discount to market price and (iii) **set a 3% limit for all subscribers, including related persons, diluting the interest of existing shareholders**. In other words, Chairman Choi was not interested in enhancing **the interest of existing shareholders**.<br>▪ The purpose of the general public offer was **to increase ownership of the second largest shareholder and its friendly investors** at the expense of the interest of the largest and minority shareholders. |



MBK PARTNERS

# ❹-4/5. OneAsia Partners: Lack of Oversight over Investments (1/2)

*Choi, Yun-beom's clam: "The investment followed proper producers according to relevant regulations, and it had no control over One Asia Partners' investment operations"*

**MBKP-YP: It has been clearly revealed that this investment was not a typical investment into a private equity fund, so Korea Zinc was not a passive investor. Its involvement in SM Entertainment's stock manipulation is also evident.**

| Name of Fund | Established | Investment Period | Extension(1) | KZ Ownership | Management Fee/ Carried Interest | Main Investments |
|---|---|---|---|---|---|---|
| Korea Growth No. 1 | Aug. 30, 2019 | 8 years | 2 | ***94.6%*** | ▪ Mgmt Fee(2): Invest./Commit. x 2.5%<br>▪ Carry: 25%/IRR 6% hurdle | ***Ark Media/ High Entertainment*** |
| Arbitrage No.1 | Aug. 24, 2020 | 8 years | 2 | 54.6% | ▪ Mgmt Fee(2): Invest./Commit. x 2.5%<br>▪ Carry: 25%/IRR 6% hurdle | |
| Justice No. 1 | Mar. 2, 2021 | 4 years | 2 | ***99.2%*** | ▪ Mgmt Fee: Invest. x 1.0%<br>▪ Carry: 20%/IRR 4% hurdle | ***Jeongseok Enterprise*** |
| Violet No. 1 | Jul. 5, 2021 | 5 years | 1 | ***87.3%*** | ▪ Mgmt Fee: Invest. x 2.0%<br>▪ Carry: 20%/IRR 8% hurdle | |
| Tangerine No. 1 | Jan. 25,2022 | 5 years | 1 | ***99.4%*** | ▪ Mgmt Fee: Invest. x 2.0%<br>▪ Carry: 20%/IRR 8% hurdle | ***Tidesquare (travel agency)*** |
| Grey No. 1 | Jun. 17, 2022 | 5 years | 1 | ***99.6%*** | ▪ Mgmt Fee: Invest. x 2.0%<br>▪ Carry: 20%/IRR 8% hurdle | |
| Havana No. 1 | Sep. 8, 2022 | 5 years | 1 | ***99.8%*** | ▪ Mgmt Fee: Invest. x 2.0%<br>▪ Carry: **30%/IRR 0% hurdle** | ***SM Entertainment*** |
| Mangosteen No. 1 | Feb. 13, 2023 | 8 years | 2 | 39.9% | ▪ Mgmt Fee(2): Invest./Commit. x 2.5%<br>▪ Carry: 40%/IRR 8% hurdle | |

Investment into **an unproven private equity fund based on personal friendship between Chairman Choi and founder.**

**No board discussion/oversight**

**Sole LP for six** out of eight funds (average ownership of the six funds: 96.7%)

Excessive carry (**30% with no IRR hurdle** for Havana No. 1, which was involved in the stock manipulation of SME)

**Controversial Investments (SME / Jeongseok / Ark Media, etc.)**

(1) 1 year per extension.
(2) Based on commitment amount during investment period, investment amount after investment period.

# 4 -4/5. OneAsia Partners: Lack of Oversight over Investments (2/2)

*Choi, Yun-beom's clam: "The investment followed proper producers according to relevant regulations, and it had no control over One Asia Partners' investment operations"*

**MBKP-YP: It has been clearly revealed that this investment was not a typical investment into a private equity fund, so Korea Zinc was not a passive investor. Its involvement in SM Entertainment's stock manipulation is also evident.**

## Timeline of the Alleged SM Entertainment("SME") Stock Manipulation Scheme

**2023.2.10**
Hybe launches public tender offer of SME shares

**2023.2.14**
Korea Zinc's internal report discussing funding for OneAsia Partners' acquisition of SME shares; the fund's articles of incorporation amended

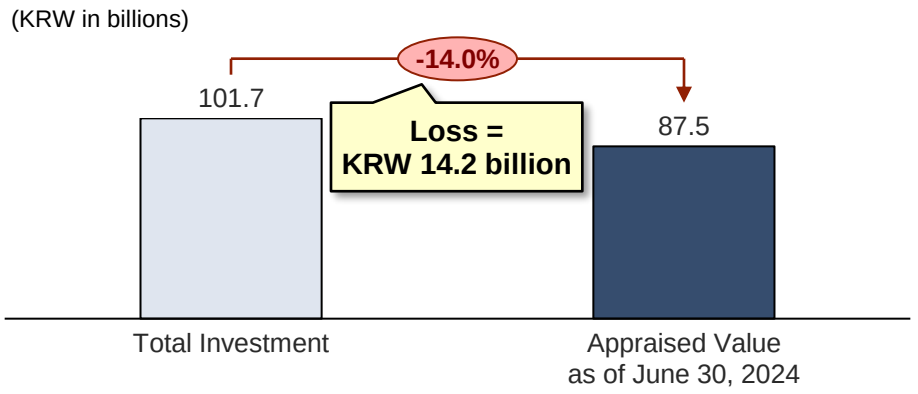
**2023.2.15**
Korea Zinc becomes virtually the sole investor in OneAsia Partners' Havana #1 fund (KRW 101.7 billion; 99.82% equity share)

**2023.2.16**
OneAsia Partners initiates SME stock price manipulation, including artificially raising stock prices

## Chairman Choi's alleged involvement to SME investment

1. **OneAsia Partners initiated SME stock manipulation, a day after Korea Zinc completed investment**
2. **The fund's articles of incorporation was amended a day prior to Korea Zinc's investment. Unlike other funds, (i) capital call notice due is only one business day and (ii) IRR hurdle is 0%**
3. **Korea Zinc effectively became the sole LP for the fund**

## Estimated Loss from the SME Investment






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# Appendix: Case Studies of MBKP's Successful Value Creation

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# Doosan Machine Tools: Investment & Exit Overview

## Investment Summary

- MBK Partners acquired the machine tools business of Doosan Infracore Co. The new company was established as Doosan Machine Tools Co., Ltd. ("DMT," or the "Company").
- MBKP's purchase price of KRW929 billion (US$810 million) represented a valuation of 6.0x 2015 normalized EV/EBITDA
- On August 13, 2021, MBKP signed definitive documents to sell its 100% stake to DTR Automotive and its affiliates ("DTR") for KRW2.4 trillion (US$2.0 billion)(2), representing a valuation of 9.8x EV/EBITDA for the last twelve months ended September 30, 2021 and 8.9x EV/EBITDA(3) in 2021.

## Value Creation

- Dealer network and sales capabilities enhancement
- Product line-up & capacity expansion
- Enhancement of pricing & promotion policies and strategy
- Implementation of operational improvements initiatives

## Business Overview

- MBK Partners acquired the machine tools business of Doosan Infracore Co. The new company was established as Doosan Machine Tools Co., Ltd. ("DMT," or the "Company").
- DMT is a leading manufacturer of turning centers ("TC") and machining centers ("MC") with #1 market share in Korea. The Company is also the third largest TC/MC manufacturer globally.
- The Company operates 3 factories (two in Korea and one in China), 45 technical service centers, 32 parts depots, 226 sales posts and 155 dealerships in 63 countries. In 2021, the Company recorded new orders of KRW2,408.6 billion(US$1,997.7 million(2)), revenues of KRW1,913.2 billion (US$1,586.8 million(2)) and EBITDA of KRW268.3 billion(3) (US$222.5 million(2)).

## Transaction Highlights

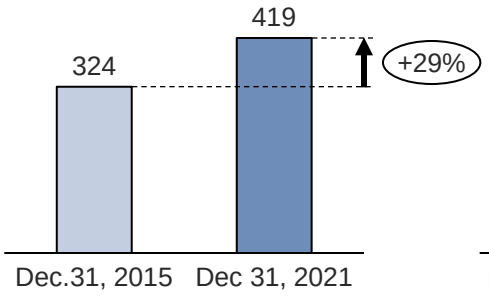
- Largest global machine tools manufacturer M&A transaction in history, and the largest industrials M&A transaction in Korea since 2006(3).

(1) KRW1,147.4/US$ at entry.
(2) KRW1,205.7/US$ used throughout the document unless otherwise noted.
(3) Normalized for one-off exit consolation payment.

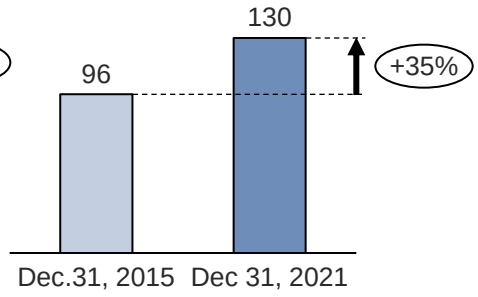
# Key Value Creation Initiatives

## Product Competitiveness Reinforcement

### # of Total Products

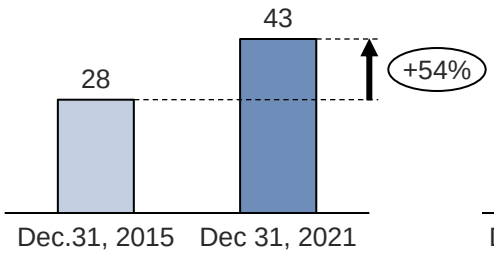



### # of High-end Products

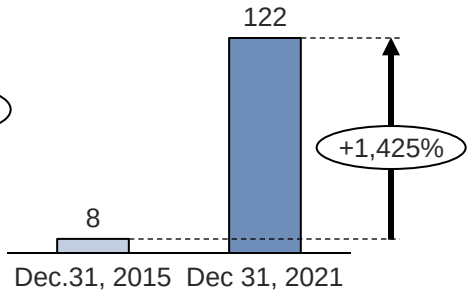



## Sales Capabilities Enhancement

### # of Dealers with Over US$10 mm in Sales

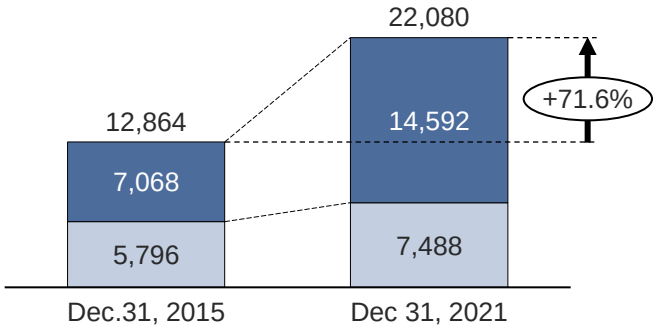



### # of Customers Directly Managed by HQ Via KAM(1)



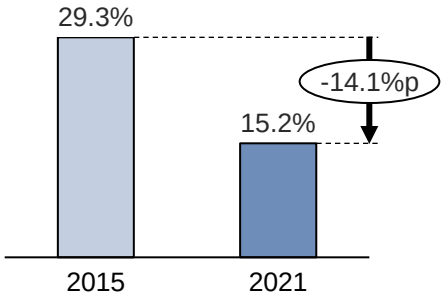

## Production Capacity Expansion

(Annual Capacity, # of Units) OEM Own plants

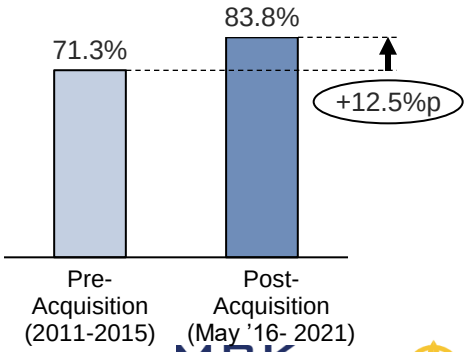



## Operational Efficiency and FCF Generation Improvement

### Fixed Costs as % of Revenue




### % EBITDA to FCF(2) Conversion




(1) Key Account Management; KAM team at HQ directly manages sales, marketing and services for key global customers.
(2) FCF = EBITDA – capex – change in working capital – tax paid.

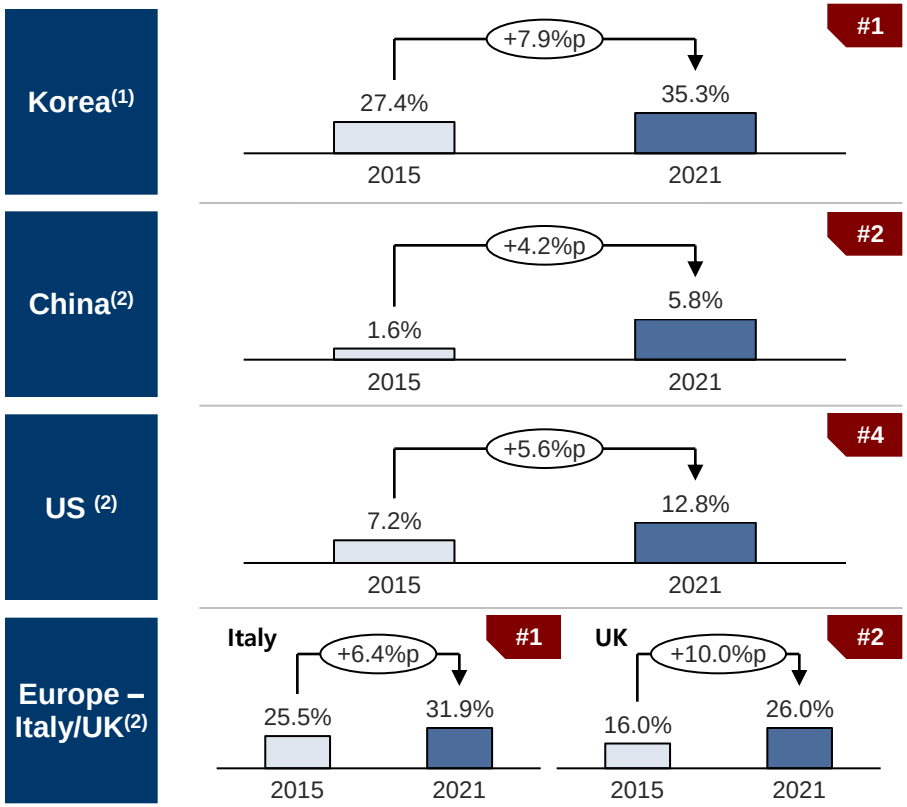


MBK PARTNERS

# Strengthened Industry Leadership

- As a result of MBKP's value creation initiatives, DMT's market share has meaningfully increased across all major regions. In 4Q 2020, DMT emerged as the global #3 player.

## DMT's Market Share




## DMT's Global Ranking(2)

| Rank | 2015 | 2016 | 2017 | 2018 | 2019 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori | DMG Mori |
| 2 | Mazak | Mazak | Mazak | Mazak | Mazak | Mazak | Mazak | Mazak | Mazak | Mazak |
| 3 | Okuma | Okuma | Okuma | Makino | Okuma | DMT | DMT | DMT | DMT | DMT |
| 4 | Makino | Makino | Makino | Okuma | Makino | Okuma | Okuma | Okuma | Okuma | Okuma |
| 5 | DMT | DMT | DMT | DMT | DMT | Makino | Makino | Makino | Makino | Makino |

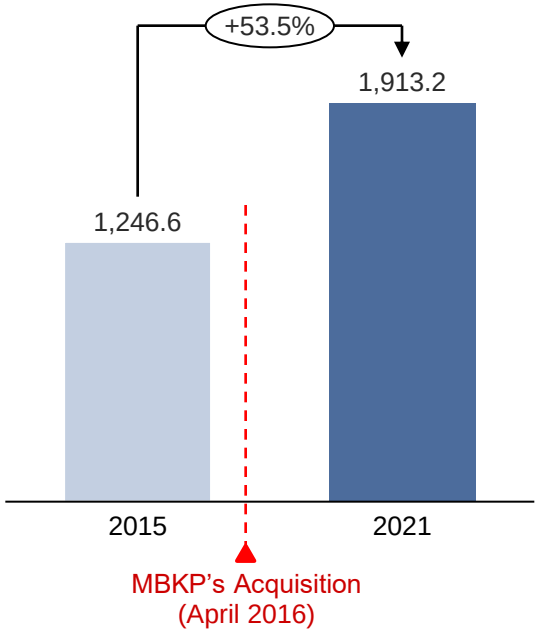
(1) Company data.
(2) Infiniti Research, Company data.

# Strong Financial Performance

- DMT's financial performance improved significantly: Revenue and EBITDA grew from KRW1.25 trillion and KRW134 billion in 2015 to KRW1.91 trillion and KRW247 billion in 2021, respectively.

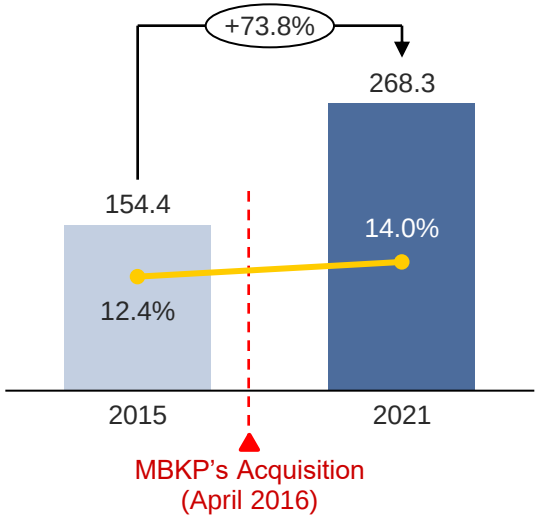
## Revenue

(KRW in billions)



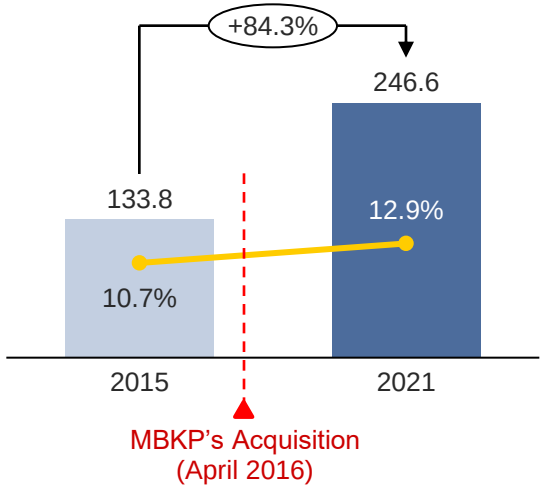

## EBITDA[1]

(KRW in billions, % of revenue)




## EBIT[1][2]

(KRW in billions, % of revenue)




(1) 2015 figures are normalized for one-off expenses; 2021 figures are normalized for one-off exit consolation payment.
(2) Normalized for intangible asset amortization in relation to MBKP's acquisition in 2016.

# Value Creation

| (KRW in billions) | | At Time of Investment December 31, 2015 | At Time of Full Exit December 31, 2021 | Change |
|---|---|---|---|---|
| **Key Performance Indicators (KPI)** | Full Year New Orders | 1,160.6 | 2,408.6 | 107.5% |
| | New Orders Balance | 173.3 | 841.1 | 385.2% |
| | # of High-end Products | 96 | 130 | 35.4% |
| | # of Dealers(1) | 52 | 87 | 67.3% |
| | Annual Production Capacity (# of Units) | 12,864 | 22,080 | 71.6% |
| **Financial Improvements** | Revenue | 1,246.6 | 1,913.2 | 53.5% |
| | EBITDA(2) | 154.4 | 268.3 | 73.8% |
| | EBITDA-Capex(2) | 143.3 | 251.6 | 75.6% |
| | EBIT(2)(3) | 133.8 | 246.6 | 84.3% |

(1) Number of dealers with more than US$5 million in sales.
(2) 2015 figures are normalized for one-off expenses; 2021 figures are normalized for one-off exit consolation payment.
(3) Normalized for intangible asset amortization in relation to MBKP's acquisition in 2016.

# Coway: Investment & Exit Overview

## Investment Summary

- In November 2012, MBKP, in partnership with LP co-investors, acquired a controlling 30.9% stake in Coway from Woongjin Group for $1.1 billion, representing entry valuation of 8.3x EV/EBITDA
- On March 22, 2019, MBKP completed the sale of its remaining 22.2% stake in Coway back to Woongjin Group for a total consideration of KRW1.7 billion ($1.5 billion)(1), representing a valuation of 10.5x EV/EBITDA

## Business Overview

- Korea's dominant #1 consumer health appliance rental and service company, with 7.1 million accounts worldwide(2)
- Distributes water purifiers, air purifiers, digital bidets and mattresses through a global network of 30,000 sales and maintenance staff called "CODY"s, who visit customer residences regularly
- Subscription-based rental business model enables high recurring revenue and stable margins

## Value Creation

- Augmented the management team with top-notch senior executives from Samsung, LG and CJ
- Solidified leadership in the Korean market by enhancing the productivity of the CODY direct sales network, expanding into retail and online channels and launching innovative premium products (e.g., IoT-based air purifiers and clothing care system)
- Drove explosive growth in foreign markets including Malaysia (#1 in water purifiers), China (#1 in air purifiers through an ODM alliance with Philips) and U.S. (through a partnership with Amazon)
- Improved operational efficiency, including realization of over W110 billion annual cost and capex savings through procurement optimization, SKU rationalization and component standardization

## Transaction Highlights

- Largest Korean consumer health appliance buyout in history

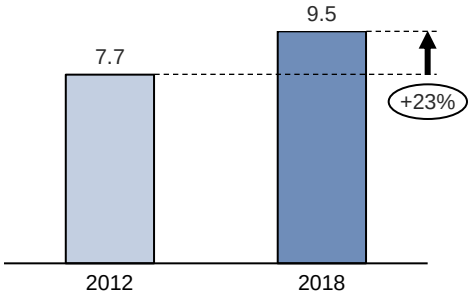
(1) Exchange rate: KRW1093.4/US$ at entry; KRW1,130.0/US$ for full exit.
(2) Includes rental and membership accounts.

# Key Value Creation Initiatives

## Solidifying Leadership in Korea

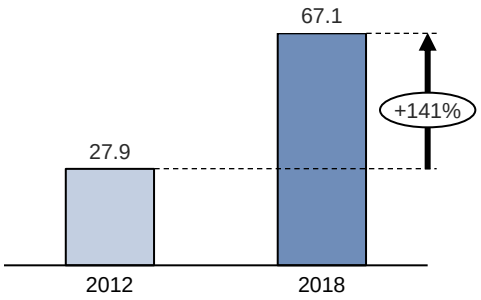
### Enhancing CODY Sales Productivity

(Monthly unit sales per CODY)




### Expanding into Retail & Online Channels

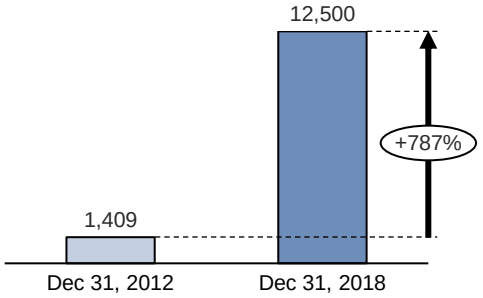
(Annual rental unit sales in retail & online channels,)




## Driving Overseas Expansion

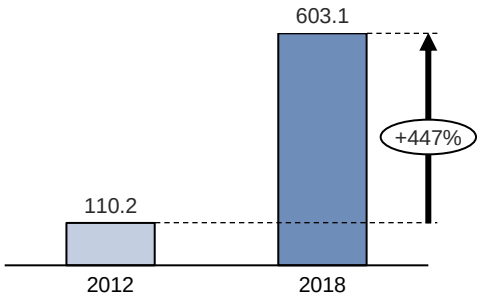
### Expanding Foreign Sales Network

(# of CODYs at foreign subs)




### Increasing Sales in Foreign Markets

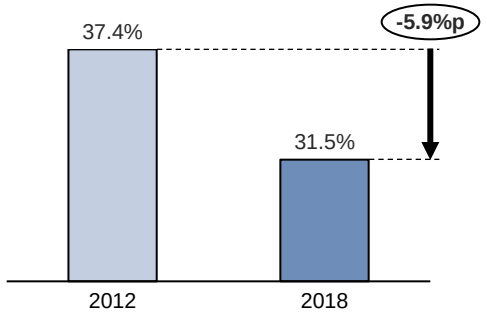
(Units sold by foreign subs, thousand units)




## Improving Operational Efficiency

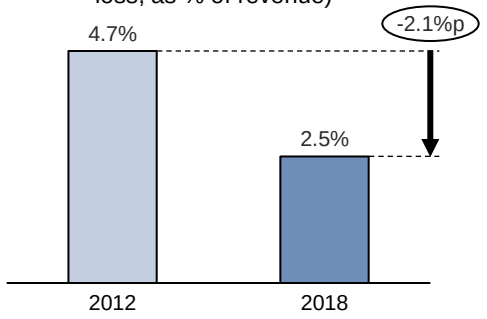
### Decreasing Rental Asset Disposal Loss

(Rental asset disposal loss, as % of rental revenue)




### Managing Fixed Cost

(SG&A less sales commission and rental disposal loss, as % of revenue)

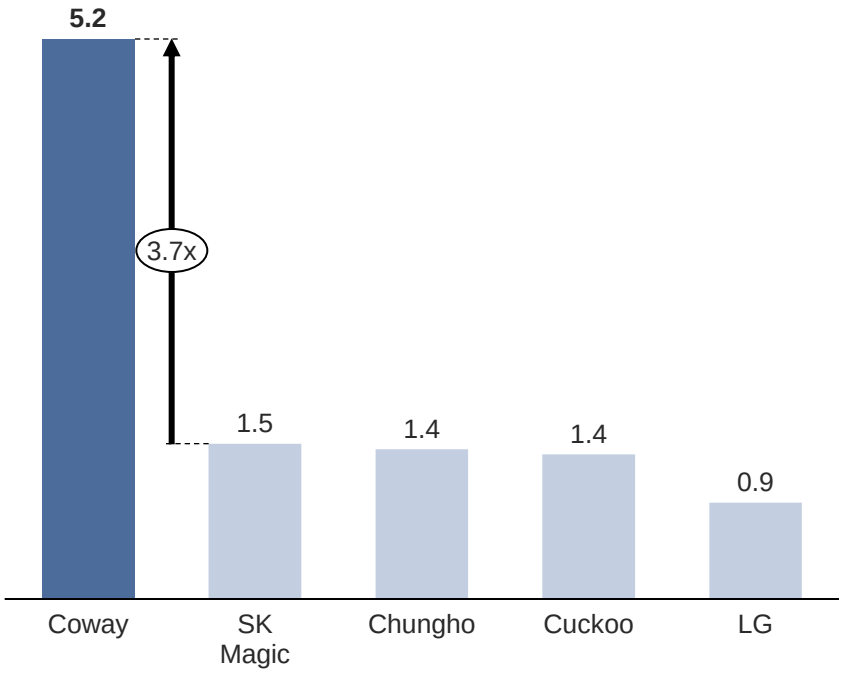


# Industry Leadership

- As a result of MBKP's value creation initiatives, Coway solidified its dominant position in Korea's fast-growing consumer health appliance market, with more than 3.7x rental subscribers than No. 2 competitor
- Coway also stands out from its peers in terms of profitability, with operating margins of 21.9% compared to the peer group median of 7.3%

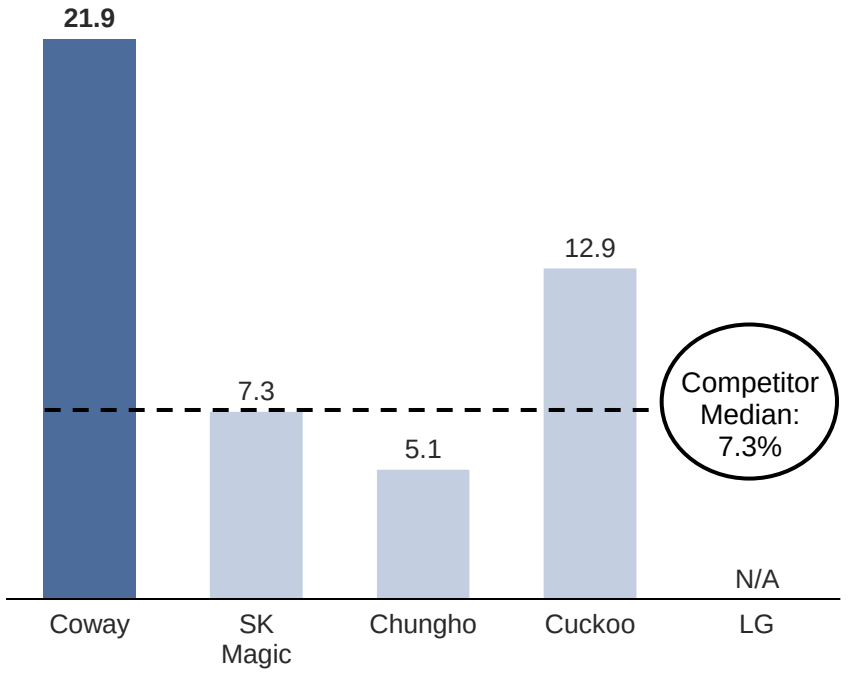
## Unrivaled Rental Subscriber Base(1)

(# of rental accounts, millions)




## Superior Profitability

(2018 EBIT %(2))



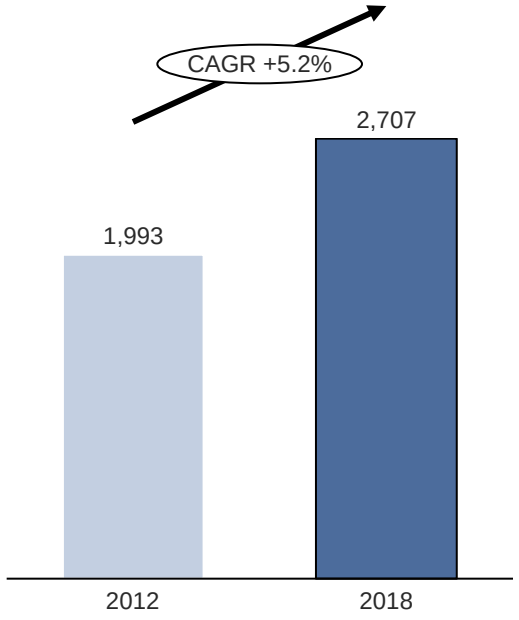

(1) Domestic subscribers only; competitors' figures based on media reports as they are not publicly disclosed.
(2) Coway's EBIT % indicates EBIT % of its domestic health appliance segment; 2017 EBIT % for Chungho; Cuckoo's EBIT adjusted to include rental disposal loss; LG's domestic health appliance EBIT not publicly available.

# Strong Financial Performance

- Since MBKP's acquisition, Coway's financial performance improved significantly. Revenue, EBITDA and net income grew at a CAGR of 5.2%, 10.3%, 22.2%, respectively
- Driven by strong financial performance, Coway's stock price also increased by 92.9%(1) during MBKP's holding period, while the KOSPI index decreased by 0.2% during the same period

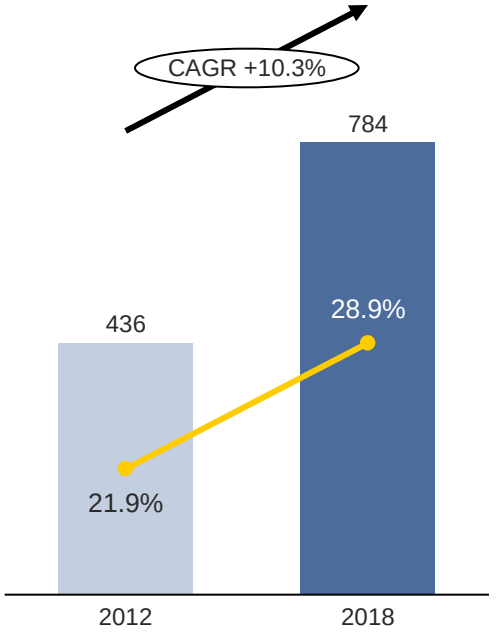
## Revenue

(KRW in billions)



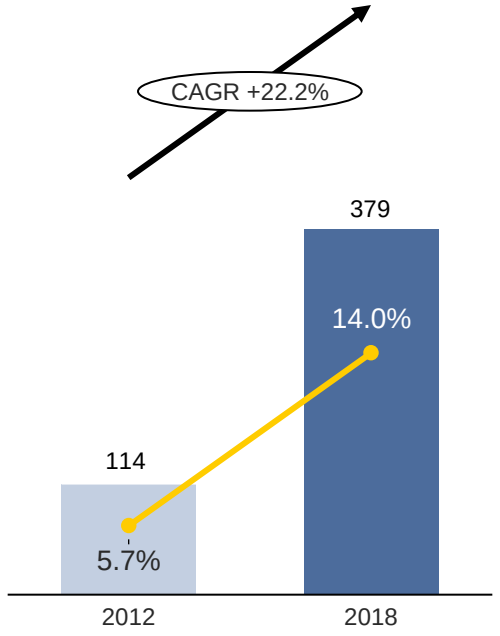

## EBITDA(2)

(KRW in billions, % of Revenue)




## Net Income(2)

(KRW in billions, % of Revenue)




(1) Based on the closing price as of October 26, 2018, the last trading day preceding the SPA signing date.
(2) Normalized for one-off expenses.

# Value Creation

| (KRW in billions) | | At Time of Investment June 30, 2012 | At Time of Full Exit December 31, 2018 | Change |
|---|---|---|---|---|
| **Key Performance Indicators (KPI)** | No. of Rental Subscribers | 4,453,457 | 6,238,282 | 40.1% |
| | No. of CODYs | 18,974 | 29,261 | 54.2% |
| | CODY Productivity (monthly)[1] | 7.7 | 9.5 | 22.9% |
| **Financial Improvements** | LTM Revenues | 1,992.8 | 2.707.3 | 35.9% |
| | LTM EBITDA[2] | 435.9 | 783.6 | 79.8% |
| | LTM Net Income[2] | 113.8 | 378.5 | 232.5% |

(1) Korea only.
(2) Normalized for one-off expenses.

# Daesung Industrial Gases: Investment & Exit Overview

## Investment Summary

- In March 2017, MBKP, in partnership with LP co-investors, acquired 100% of Daesung Industrial Gases ("Daesung," or the "Company") from Daesung Group and other shareholders
- Entry enterprise value of $1,629 million (W1,864 billion) represented 11.6x 2016 EBITDA of $140 million (W160 billion)(1)
- On February 6, 2020, MBKP sold 100% of Daesung to Macquarie Asia Infrastructure Fund for a total consideration of $2,112 million (W2,454 billion), representing valuation of 14.4x EV/EBITDA for LTM ended Sep. 30, 2019

## Business Overview

- Korea's largest industrial gas supplier, with 34.5% market share and extensive manufacturing facilities and sales network across Korea
- Significant presence in China, with plants in Guangzhou, Hefei and Luoyang
- Diversified customer base from a wide range of industries, including local blue-chip companies
- Recorded revenues of $582 million (W672 billion) and EBITDA of $173 million (W200 billion) in 2019

## Value Creation

- Increase utilization to drive margins
  - Optimize plant operations to better respond to growing demand from key customers
  - Introduce state-of-the-art technologies, including automated production control (APC) and energy storage system (ESS)
- Optimize price and minimum take-or-pay (MTOP) volume
  - Increase price for pipeline and bulk sales contracts based on customer segmentation and willingness-to-pay analysis
  - Increase MTOP volume to strengthen downside protection
- Invest in strategic projects for future growth
  - Selected capex to secure highly profitable pipeline and onsite contracts from key customers
  - Expand production capacity in China
- Augment management team and incentivize on performance
  - Augment management around the CEO – new CFO, CHRO
  - Implement performance-based compensation and stock option plans

## Transaction Highlights

- First-ever buyout of an industrial gas supplier in Korea

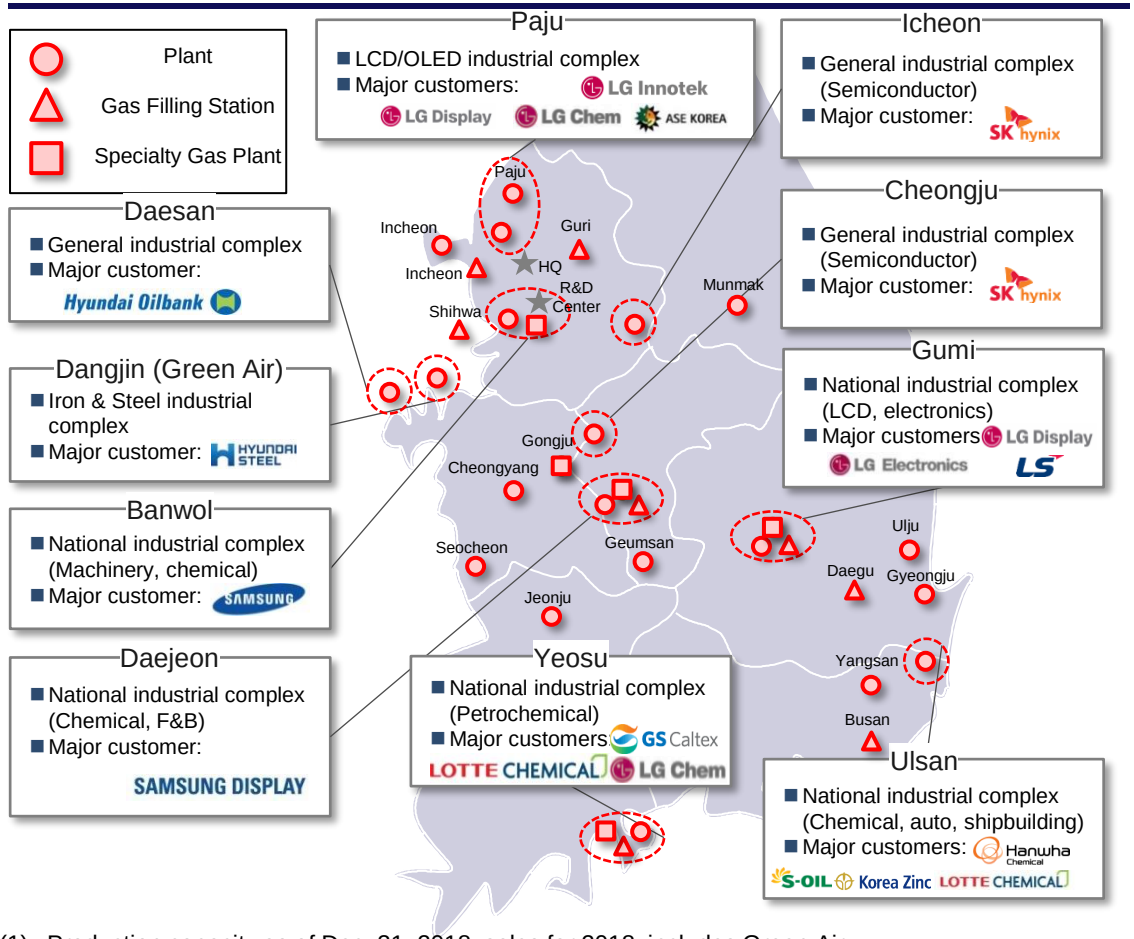


(1) All financial data on an attributable basis including 49% stake in Green Air and normalized for one-off items.

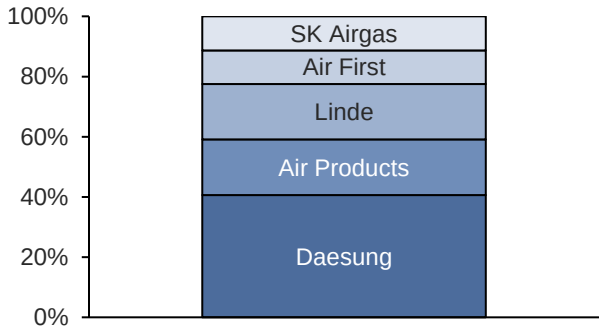
# Largest Industrial Gas Supplier in Korea

- #1 in production capacity and sales(1), with extensive manufacturing facilities and sales network across Korea.
- Diversified customer base in a wide range of industries, including blue-chip companies such as LG Display, SK Hynix, Samsung Electronics, GS Caltex and Lotte Chemical.
- Steady margins based on long-term offtake contracts with cost pass-thru and MTOP arrangements.

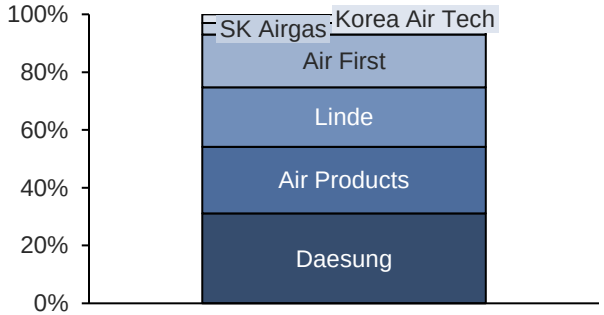
## Nationwide Production Footprint and Customer Base




## #1 in Tonnage(1)




## #1 in Bulk(1)



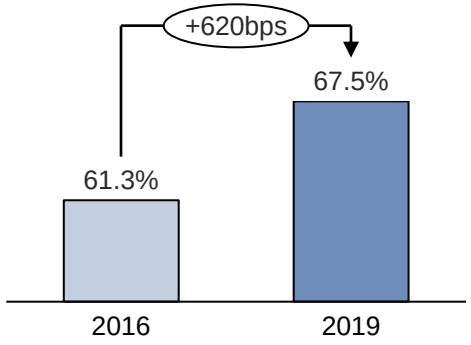

(1) Production capacity as of Dec. 31, 2018; sales for 2018; includes Green Air.
Source: Company; Bain

# Key Value Creation Initiatives

## Utilization Rate Increase

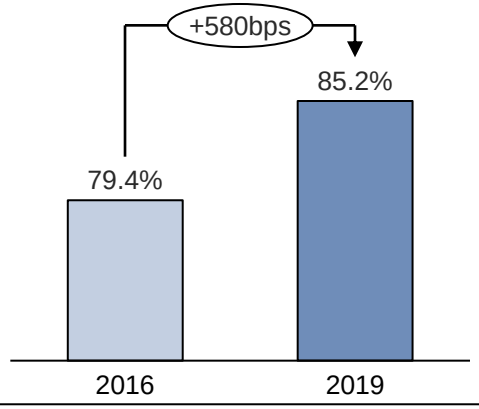
### Pipeline Utilization Rate

(Unit: %)




### Bulk Utilization Rate

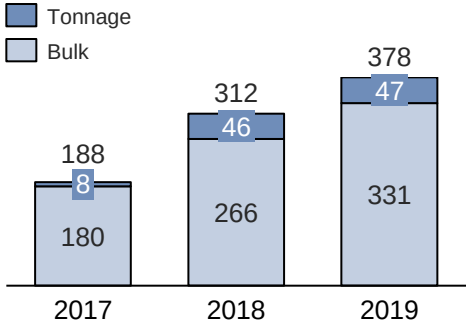
(Unit : %)




## Price and MTOP Optimization

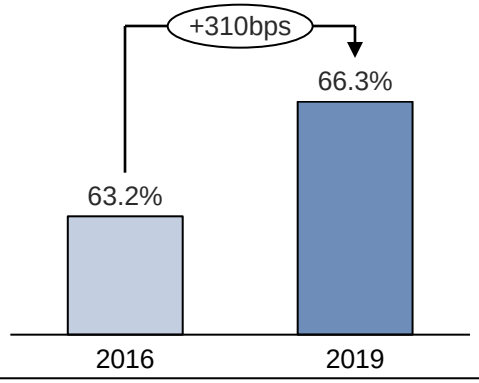
### Price Increase

(Unit: # of price increased contracts)




### MTOP-protected Volume Increase

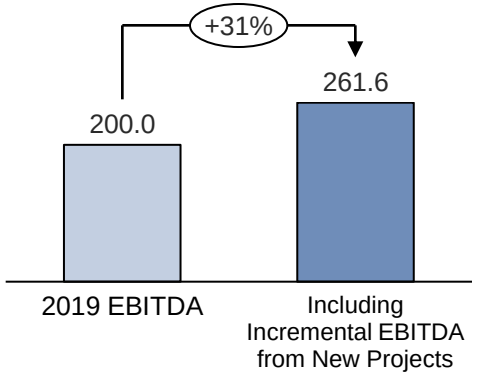
(Unit : % of tonnage sales volume)




## New Growth Projects

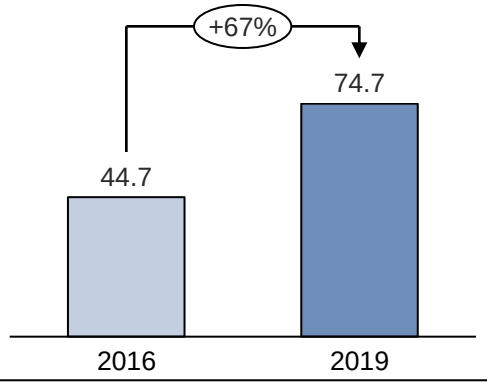
### Incremental EBITDA from New Projects

(Unit: KRW in billions)




### Guangzhou Production Capacity Increase

(Unit: '000 $Nm^3$/hour)

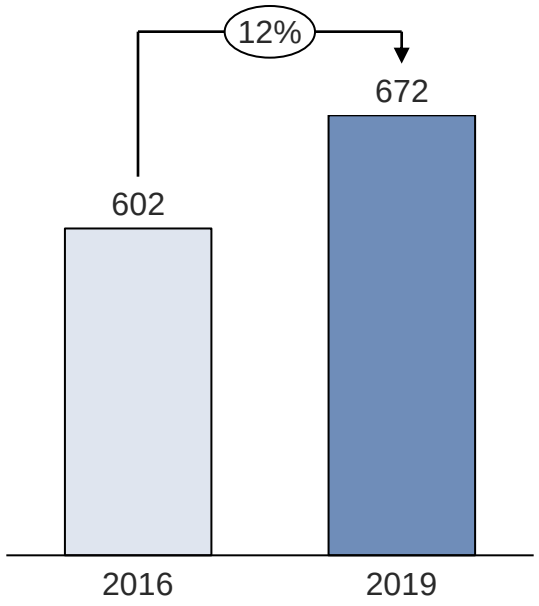


# Strong Financial Performance

- Driven by MBKP's value creation initiatives, Daesung's revenue and EBITDA grew by 12% and 25%, respectively, during MBKP's holding period of less than three years.
- Fundamental improvements and strong growth momentum resulted In a significant multiple expansion, from 11.6x at entry to 14.4x at exit.

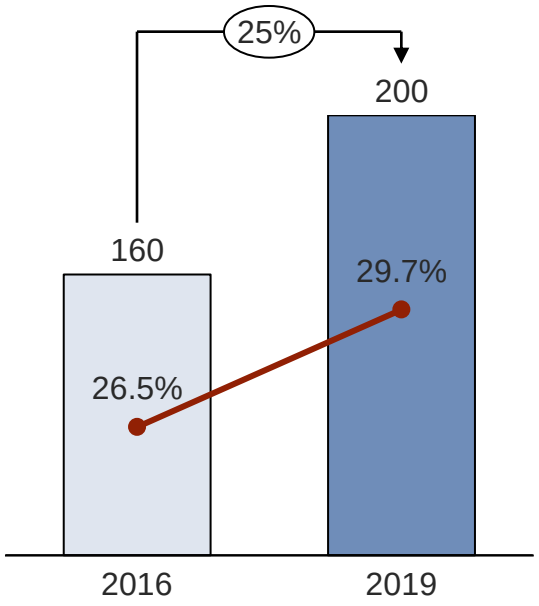
## Revenue

(KRW in billions)



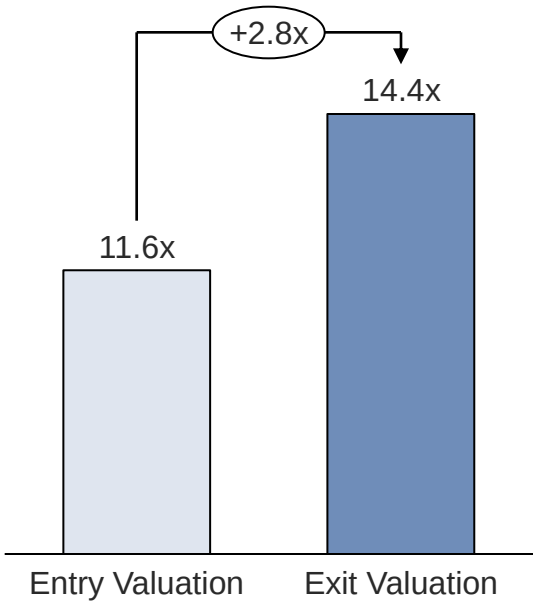

## EBITDA

(KRW in billions, % of Revenue)




## Valuation Multiple

(EV/EBITDA multiple)



# Value Creation

| (KRW in billions) | | At Time of Investment December 31, 2016 | At Time of Full Exit December 31, 2019 | Change |
|---|---|---|---|---|
| **Key Performance Indicators (KPI)** | Sales Volume – Tonnage (tons) | 4,530,782 | 5,008,221 | 11% |
| | Utilization Rate – Tonnage (%) | 61.3% | 67.5% | 620bps |
| | Utilization Rate – Bulk (%) | 79.4% | 85.2% | 580bps |
| **Financial Improvements** | LTM Revenues | 602.3 | 672.3 | 12% |
| | LTM EBITDA | 160.2 | 200.0 | 25% |
| | LTM Net Income | 24.3 | 58.3 | 140% |

# Orange Life: Investment & Exit Overview

## Investment Summary

- In December 2013, MBK Partners acquired 100% of Orange Life Insurance, formerly ING Life Korea ("Orange Life," or the "Company") from ING Group for KRW1.8 trillion (US$1.7 billion)(1), representing a valuation of 0.57x price to embedded value ("P/EV"), 0.80x P/B and 9.1x 2013E P/E.
- On February 1, 2019, MBKP completed the sale of its remaining 59.1% stake in Orange Life to Shinhan Financial Group Co., Ltd. for a total consideration of KRW2.4 trillion ($2.1 billion), representing a valuation of 0.77x P/EV and 1.14x P/B.

## Business Overview

- Orange Life is the fifth largest life insurer in Korea in terms of total assets and eighth in gross premiums, with $29.4 billion in total assets and $4.2 billion in gross premiums as of and for the 12 months ended Dec. 31, 2018.
- The Company sells protection, savings, annuity and variable products. As of December 31, 2018, the Company had 1.9 million contracts in force worth $80.5 billion. The Company distributes its products through its exclusive network of 5,087 financial consultants ("FC"), non-exclusive general agency ("GA") and bancassurance ("BA") channels.
- The Company is among the most profitable and well-capitalized life insurance companies in Korea, with return on equity of 8.8% and risk-based capital ("RBC") ratio of 425.0% as of Dec.31, 2018.

## Value Creation

- Rebuilt the senior management team, led by newly appointed CEO. Streamlined organization structure by merging or eliminating redundant departments and reducing headcount by 20%.
- Improved sales network by increasing competitiveness of FCs through implementation of a long-term incentive scheme and by diversifying into alternative sales channels, with rapid expansion in the fast-growing GA channel and strong penetration in the BA channel.
- Changed sales mix to significantly increase profitable products like variable and protection policies, by changing sales commission scheme.
- As a result, Orange Life's protection APE grew from W191 billion to W327 billion, value of new business ("VNB") from negative W16 billion to W117 billion, net income from W235 billion to W327 billion and shareholder's equity from W2.2 trillion to W3.8 trillion.

## Transaction Highlights

- First-ever IPO of a company controlled by PE in Korea, and the largest Korean financial institutions equity offering since 2011.
- Largest Korean life insurance M&A transaction in history, and the largest Korean financial institution M&A transaction since 2012.
- Largest PE exit in financial services sector in Asia since 2012.



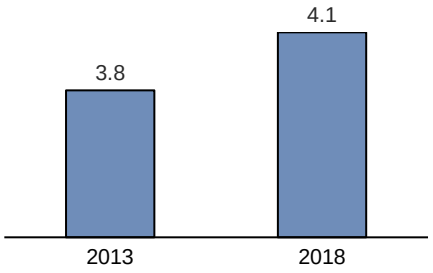
(1) Note on FX rates: W1,060.0/$ used at investment; W1,114.3/$ used.

# Key Strategic and Value Creation Initiatives

## FC Channel Revitalization

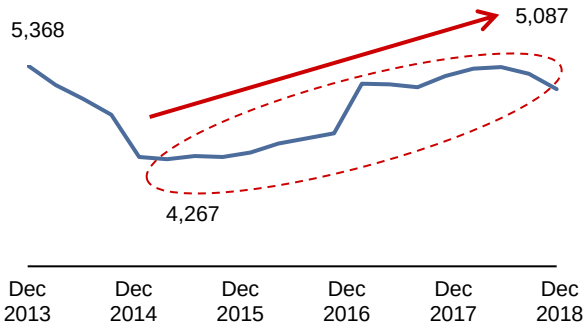
### Productivity Improvement

(Product sold per active FC)




### Increase in Number of FCs

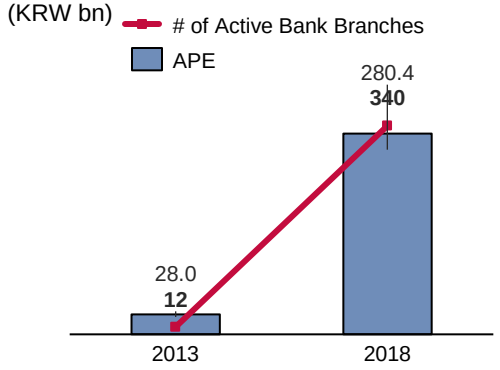
(Quarterly average # of FCs)




## Solid Growth in Alternative Channels

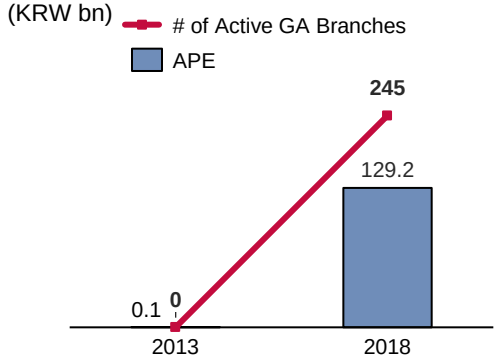
### BA Channel Expansion

(KRW bn)




### GA Channel Launch

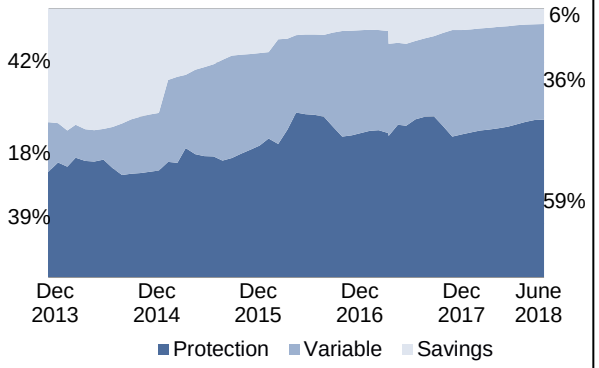
(KRW bn)




## Product Mix & Persistency Improvement

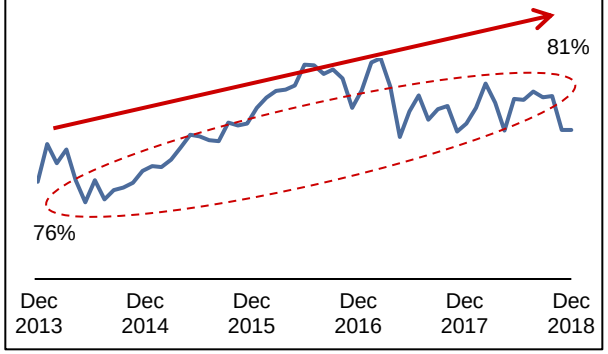
### Product Mix Improvement

(FC channel APE mix by product)




### Policy Persistency Improvement

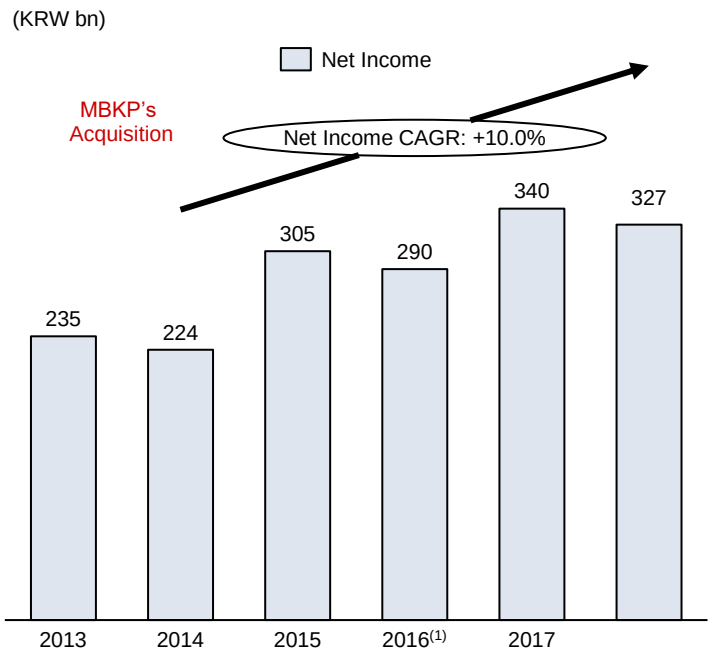
(13-month persistency)



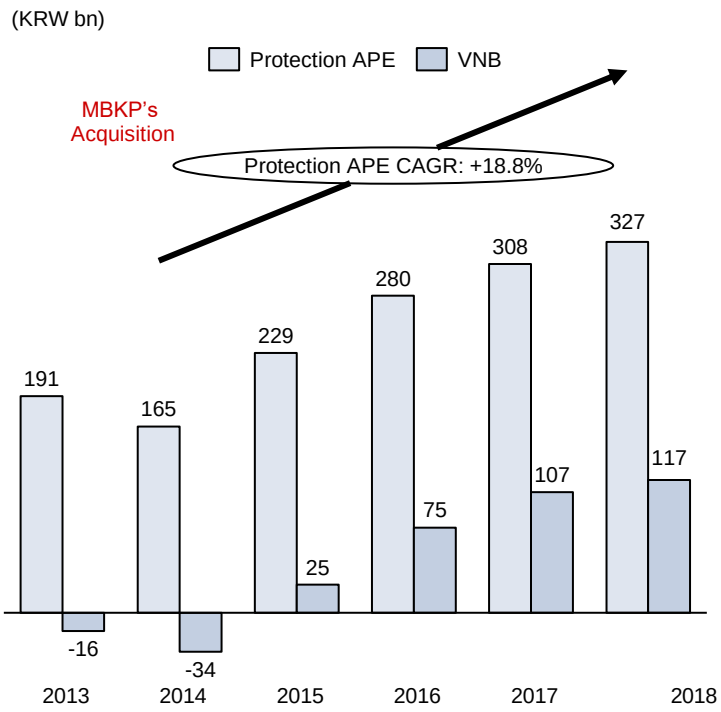
# Strengthened Financial Performance

- Orange Life's fundamentals improved significantly as a result of various strategic and value creation initiatives implemented by MBKP, together with the new management team.
- The Company's financial performance improved significantly during MBKP ownership: net income grew from W235 billion in 2013 to W327 billion in 2018, and shareholder's equity from W2.2 trillion as of December 31, 2013, to W3.8 trillion as of December 31, 2018.
- Actuarial metrics also improved dramatically: protection APE grew from W191 billion to W327 billion, VNB from -W16 billion to W117 billion and EV from W4.0 trillion as of December 31, 2012, to W5.3 trillion in December 31, 2017.

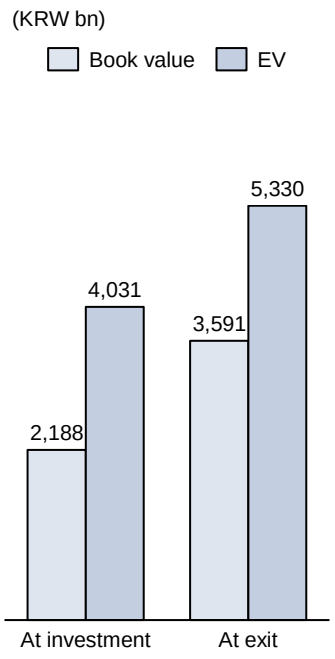
## Net Income




## Protection APE and VNB




## Book Value & EV

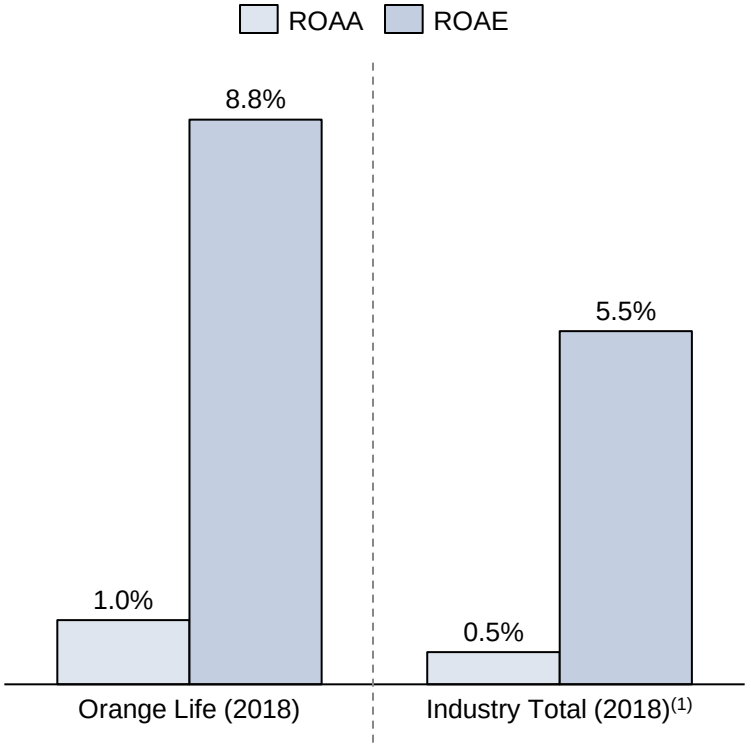



(1) 2016 net income was normalized for one-off policy reserve relating to accidental death benefit riders.
(2) 2018 net income was normalized for one-time rebranding expenses.

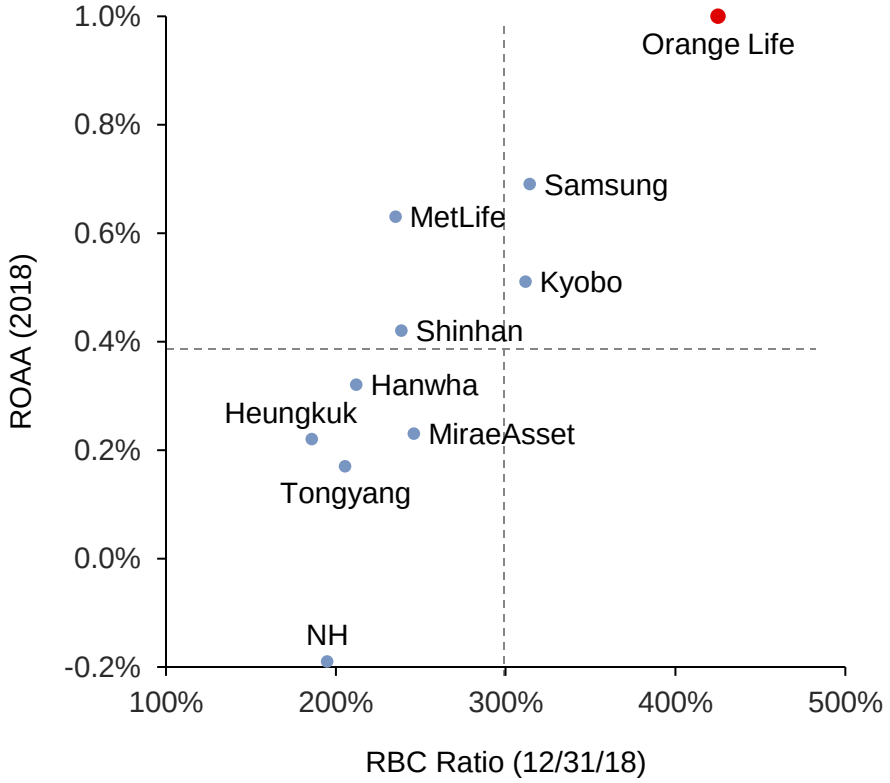
# Orange Life's Industry Leadership

- The Company has industry-leading profitability, based on its highly profitable in-force business. It is also the most well-capitalized life insurance company in Korea, with its RBC ratio being the highest among its peers.

## Orange Life's Profitability vs. Industry




## Top 10 Life Insurers' ROAA vs. RBC Ratio




(1) Based on the aggregate net income, total assets and shareholders' equity of total 24 life insurers in Korea.

# Value Creation

| (KRW in billions) | | At Time of Investment December 31, 2013 | At Time of Exit December 31, 2018 | Change |
|---|---|---|---|---|
| **Key Performance Indicators (KPI)** | LTM Protection APE | 191.2 | 327.3 | 71.2% |
| | LTM VNB | (16.1) | 117.3 | NM |
| | *% VNB Margin* | *(3.1%)* | *16.3%* | *19.5%p* |
| | RBC Ratio | 290.6% | 425.0% | 134.5%p |
| | EV[(1)] | 4,030.8 | 5,329.9 | 32.2% |
| **Financial Improvements** | LTM Operating Revenues | 3,694.9 | 4,832.4 | 30.8% |
| | LTM Operating Income | 312.9 | 428.6 | 37.0% |
| | LTM Net Income | 234.5 | 326.9 | 39.4% |
| | Book Value | 2,187.5 | 3,772.4 | 72.5% |