

HYUNDAI-KIA MPG RATING ADJUSTMENT TELECONFERENCE

**Moderators: John Krafcik (HMA), Michael Sprague (KMA), Dr. Hwan Cho (HATCI)
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Operator: Good morning. My name is (Jonathan) and I will be your conference operator today. At this time, I would like to welcome everyone to the Media Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

I will now turn the call over to the presenters.

John Krafcik: Well good morning, everyone, and thanks for joining us today. My name is John Krafcik; that's K R A F, like Frank, C I K, and I'm president and CEO of Hyundai Motor America. I'm joined by two of my colleagues. One is Michael Sprague; that's S P R A G U E. He's the executive vice president of marketing communications at Kia Motors America. I'm also joined by Dr. Hwan Cho; that's H W A N, last name C H O, who's president of our HATCHI group, which is our – Sung Hwan Cho; our shared research and development division.

Many of you guys are aware that Hyundai Motor America and Kia Motors America operate as separate and distinct sales and marketing entities here in the U.S. Today's a little different, though. We're addressing you together, with Dr. Cho, because the issue we're speaking about today involves our joint R&D operations in Korea.

What I'm going to do is help you get a little bit more context. I know some of you may have seen some of the coverage this morning. We want to summarize some of the key facts and walk you through several aspects of the situation and then we'll give you plenty of time for questions.

So, as you know, earlier today, we announced that due to a set of procedural errors, Hyundai and Kia overstated the fuel economy ratings for approximately 900,000, or 35 percent of our 2011 through 2013 model year vehicles sold through the end of October. And again, I want to make that key point. This impacts roughly 35 percent of the approximate 2.7 million vehicles Hyundai and Kia sold during this period and we're going to tell you a little bit about that situation.

The first thing we want to do, though, is to sincerely apologize on behalf of Hyundai, and specifically to the owners of these affected vehicles. For years, we've worked very hard to deliver great value to our customers, with great design, great quality, the industry's best warranty, and very, very good fuel efficiency.

And while we will continue to be one of the most fuel-efficient fleets in the market, given the importance of fuel efficiency to all of us, we are extremely sorry about these errors. When we say to Hyundai owners, we've got your back, that's an assurance we don't take lightly. We're going to make this right and we'll be more driven than ever to ensure our vehicles deliver outstanding fuel economy.

Now Michael's going to talk a little bit on the Kia side.

Michael Sprague: Right. Thank you, John, and good morning. This is Michael Sprague. I'm the executive vice president of marketing and communications for Kia Motors America. I just want to also reiterate that Kia is a responsible, customer-focused organization and we deeply regret the errors that led to the sharing of incorrect information about our vehicles' fuel economy ratings.

We sincerely apologize to our owners and want them to know that Kia is fully committed to doing everything we can to resolving this problem quickly and

as conveniently as possible. We've got a plan that I'm going to share with you a little bit later, but first let me turn it back over to John.

John Krafcik: Thank you, Michael. Now Dr. Cho, and I want to make sure we get Dr. Cho's name right, everyone. I didn't get it right my first time through, so here's – give me a second chance. It's Dr. Sung Hwan Cho; it's S U N G, and then H W A N, last name C H O.

You'll be hearing from Dr. Cho soon, who's going to answer your technical questions. Before we get to that, I want to help put some context around what occurred and what led up to our announcement today.

First, it's important to understand that when the EPA told us about their audit, we promptly began working to understand the test differences and to change our processes and we've acted swiftly with our plan to notify and compensate owners and we want to take you through in some detail about our plan to do that.

The second point; really important for you all to understand, is that even with the adjustments that we've made, we will be in full compliance with all federal fuel economy standards, and also, we are fully committed to working with the EPA through the successful resolution of this matter.

Third and finally, even with these adjustments, which amount to just one MPG for our fleet average for the 2012 model year, taking us, on average, from 27 MPG combined to 26 MPG combined, our cars will continue to be in an industry-leading position in fuel efficiency and we're going to continue to push for high-value innovations that maximize the fuel economy that our owners realize.

Now while we're so disappointed in having to share today's news, we are extremely confident in the robustness of these new fuel economy estimates and in our processes. Our customers and folks out shopping for Hyundai and Kia cars today can have faith that these fuel economy values have had more inspection, more oversight, more confirmatory testing than ever before.

Now Michael hinted at this; as a demonstration of our commitment to make this right for our customers, we and Kia have created a program related to reimbursement for affected current and former vehicle owners to cover all of the additional fuel costs associated with the MPG rating change over the lifetime of the customer's ownership.

We think this is a very comprehensive program. It's the first time this has ever been done in the industry. We think it does a good job of compensating our owners for the changes in their fuel economy values. So before we get to your questions, Michael's going to walk you through that program. Michael?

Michael Sprague: Right. Thank you, John; it's Michael again. Hyundai and Kia share a commitment to every one of our owners and building long-term, trust-based relationships with our customers. It's really the foundation of our business.

As part of our transparent corrective actions, both companies are developing comprehensive reimbursement programs, intended to ensure that all affected current and former owners quickly receive fair compensation for their added fuel costs associated with the MPG ratings adjustments.

Each brand has created a dedicated Web site to provide affected consumers with detailed information about reimbursement, including a complete list of eligible vehicles and instructions in how to register for the program. Those Web sites are www.HyundaiMPGinfo.com and for Kia, www.KiaMPGinfo.com.

So after registering online, customers will be instructed to have their mileage validated at their preferred dealership. And once that's completed, the reimbursement amount will be calculated using three factors. The first factor is the number of miles the consumer has accumulated in the affected vehicle.

The second factor is the original and revised combined fuel MPG ratings of the affected vehicle, and third, the average fuel price in the customer's local area, based on data from the U.S. Energy Information Administration.

Customers will receive their reimbursement by mail in the form of a personalized debit card. In recognition of the inconvenience this process

causes, we're going to add an additional 15 percent premium to the reimbursement amount.

So just to help everybody understand how this is going to work, for a typical Hyundai or Kia owner in Florida who drove 15,000 miles this year after buying her car in January, the change from an expected combined 27 miles per gallon to 26 miles per gallon results in a difference of 21.4 gallons of gas at a cost of \$76.71, plus an additional \$11.32 for the inconvenience benefit, meaning the customer's going to receive a debit card for \$88.03.

What's really important here is that current owners will be able to refresh their debit card for as long as they own the vehicle. So, the example that I gave you, where the consumer's going to get \$88.03, that's for the first year. Again, they'll – this – they'll – this benefit will come – will be administered over the lifetime ownership of the vehicle. Prior owners of affected vehicles who have already sold their vehicles will also be reimbursed using this same formula.

To build awareness and give all affected owners the information they need to participate in the reimbursement program, both brands will undertake comprehensive advertising campaigns, encompassing print, digital, social, and in-dealership communications. So again, for more information about the reimbursement program, we're encouraging our customers to visit HyundaiMPGinfo.com and KiaMPGinfo.com. John?

John Krafcik: Thanks. Thanks, Michael. We're interested in your point of view and any questions you may have on the – on the compensation program. Before I hand off to you guys for questions, I just want to summarize again some of the key facts.

Again, the overall action will move the 2012 model year, combined Hyundai-Kia, EPA combined fuel economy level from 27 MPG to 26 MPG. It's about a three percentage point change. There are 900,000 vehicles affected by these changes, during the 2011 through the 2013 model year, to date. During this period, Hyundai and Kia together have sold approximately 2.7 million vehicles.

Of those 2.7 million vehicles, 65 percent are unaffected by this change, including our bestselling cars, the Hyundai Sonata and the Kia Optima. Twenty-three percent of those 2.7 million vehicles experience a change of one MPG on the EPA combined scale. Nine percent experience a two MPG change in EPA combined mileage ratings. And just three percent experience a three to four MPG change on the EPA combined scale, so those are some of the key facts of our situation today.

With that, we'd love to open it up for questions.

Operator: At this time, I would like to remind everyone, in order to ask a question, please press star then the number 1 on your telephone keypad. Again, that's star 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of (Tom Krisher). Your line is open.

(Tom Krisher): Good morning, John. It's good to talk to you again.

John Krafcik: Yes, good morning, Tom.

(Tom Krisher): I – my – I keep getting asked, because of the breadth of this, how many models are involved; how could they – how could Hyundai and Kia have made the mistake affecting so many models and whether it could be unintentional or not. Can you just explain you know how it might have happened from a technical perspective and how you got there; how you reached those numbers?

(Sung Hwan Cho): Hi, good morning, Tom. This is Sung Hwan Cho. Let me answer to your question.

(Tom Krisher): OK.

(Sung Hwan Cho): How did it happen? This – these were just honest procedure errors in a very complex testing process. (We are) – by complex testing process, let me explain the background. When you generate the fuel economy labels, you need to go through a series of very complex testing.

The first phase of this (serial) testing is to measure the road load. Road load is the resistance of the vehicle you encounter when you run your vehicle on the road. Those road load has three factors, which is aerodynamic resistance and rolling resistance of your vehicle between the tire and road surface, and also you need to overcome the resistance of the vehicle, the driveline train – driveline components friction.

So in order to measure this road load test, this test is very, very complicated and delicate and sensitive. For example, there are hundreds of different parameters which can affect the road load result. Firstly, the environmental conditions; how is the wind speed and direction and which ambient air temperature you run your vehicle and the humidity and atmospheric pressure. All these factors can affect the test result.

And secondly, how you prepare your vehicle; the vehicle to be (full durations). How many mileage do you accumulated in your vehicle – test vehicle and what is your tire condition, engine condition, driveline (cushion) condition; all these different factors also affect your test (results).

And thirdly, how you make a test; in other words, which kind of regulation and guidance procedures your follow and how you process the data, even how you calibrate your measurement equipment. So, all these different parameters can affect the test results.

What we did is we – because of the complexity of this test, we need to improve the efficiency of the test results, so we have to reduce the repeated number of tests and we also have to reduce the test-to-test variation. In order to achieve this test efficiency, we (added a) few more steps and (processes), which is different from what EPA has generally recommended, so that's where this errors – procedure errors happened.

(Tom Krisher): OK. The – isn't the EPA – is it very rigid; the procedures that they – you have to follow or is that kind of open to interpretation?

(Sung Hwan Cho): This is rigid, but there is also some points where we need some interpretation.

(Tom Krisher): OK, very good. Thank you.

(John Krafcik): Thank you, Tom.

(Sung Hwan Cho): You're welcome.

Operator: Your next question comes from the line of Mike Ramsey. Your line is open.

Mike Ramsey: Good morning, everybody. I – the question I have is, and obviously this is something that's uncomfortable to talk about, but you made a advertising campaign at Hyundai that sort of poked fun at your competitors for not having an asterisk next to the – their fuel economy goals and now you're kind of forced into that same situation, (is) are you going to address any of that in marketing going forward or are you going to address any of these changes in your marketing or have any kind of commercials that address this issue or are you just going to kind of you know let the news play out and then move forward?

John Krafcik: Well I think a key point, Mike, is you know from a PR point of view, we did talk about the fact and we are very proud of the fact that, before this change and after this change, we have not embraced the idea of unique high-fuel economy versions that are sold at low volumes; right? Our approach has always been to put all of this technology in all of our vehicles at an affordable price and that still remains, we believe, a differentiating strategy between Hyundai and other brands.

Mike Ramsey: OK. So you're not going to address this issue at all in advertising, or are we – or I mean – or is there going to be any – I guess, as another separate question, are you guys going to have any commercials, Kia or Hyundai, that kind of addresses this issue or are you just going to use this moment to talk about it?

John Krafcik: Yes, a couple of points. First is consumers buy vehicles for a lot of different reasons; right? And we think, both from a Hyundai and a Kia standpoint, that we have an awful lot to talk about from a quality standpoint, design, warranty, features and value; we still have a very strong position and we still have an industry-leading in fuel efficiency. So I think that's an important point.

Mike Ramsey: OK.

Michael Sprague: It's Michael; I'd reiterate the same thing. From our communications standpoint, we'll continue to focus on everything that Kia offers as a brand and, to John's point, it is (this) design technology, it's warranty, and many other attributes.

(John Krafcik): We do have, Mike, a very heavy, full-page newspaper ad planned, which will roll out on Sunday in newspapers across the country. The text we – which we can get to you all, echoes the comments we've made in the press release. It's a joint letter to our valued customers, from Hyundai and Kia, explaining the situation, apologizing for the situation, and explaining our reimbursement plan and our commitment to their satisfaction and to make things right.

Mike Ramsey: Great. Thank you.

Operator: Your next question comes from the line of (Christie Schweinsberg). Your line is open.

Male: Enjoy your weekend.

(Christie Schweinsberg): Wondering, a lot of the questions I had have already been asked and answered. But I was just wondering about the – some of the lawsuits that you were experiencing; for instance, the Consumer Watchdog lawsuit against Hyundai. You know, John, your position was always that you guys were in the right. What's going to become of that? How are you going to change your position at all, regarding that lawsuit?

John Krafcik: Hey, Christie. You know all we can do is let the lawsuits proceed. You know the situation has changed a little bit, but you know we're just going to take those lawsuits as they come.

(Christie Schweinsberg): So you're still going to be fighting or are you going to be settling or what?

John Krafcik: (Our) – yes.

(Christie Schweinsberg): What's the plan going forward?

John Krafcik: Our primary focus, again, is to make this right for our customers. And you know we think this reimbursement program that we've put in place is a really good program; a really fair program to ensure that we are compensating consumers for the delta between the original fuel economy rating and the new fuel economy rating.

(Christie Schweinsberg): OK, thanks.

John Krafcik: Thanks, Christie.

Operator: Your next question comes from the line of Gabriel Nelson. Your line is open.

Gabriel Nelson: So you've explained a lot about how you intend to make this right with your customers. Is there anything that you're expecting to be doing or know that you'll need to be doing to sort of make it right with the regulators in this case; anything that you're hearing from EPA that (you're going to) need to do for – maybe, for instance, fines or sanctions under the – under CAFE, such as loss of credit; anything like that that you're hearing as far as requirements from regulators?

John Krafcik: You know the biggest thing we're doing, of course, is this massive relabeling effort that we have underway at Hyundai and Kia dealers, beginning today, so we're working very, very hard to get the new labels on our cars as quickly as possible, communicating with our dealers now, in real time, and ensuring that consumers have the right fuel economy information.

We have updated our Web sites. The EPA has done a great job working with the DOE, updating the fueleconomy.gov Web sites with the new appropriate fuel economy data. So that's been our real focus, is just making sure that all of the information is correct going forward.

Gabriel Nelson: Do you know if there will be any other remedies in this, beyond that?

John Krafcik: You know I can't speak for what other organizations might do, but we can (inaudible) ...

Gabriel Nelson: But you don't know definitively that you won't have others. It's still undecided from your point of view?

John Krafcik: In terms of remedies from Hyundai and Kia to customers?

Gabriel Nelson: No. You haven't been – you haven't been definitively told by the government or any agencies that you will face any other sanctions?

John Krafcik: Yes, that's correct.

Gabriel Nelson: OK, thank you.

Operator: Your next question comes from the line of (Peter Valdes-Dapena). Your line is open.

(Peter Valdes-Dapena): Two actually closely related questions in terms of the reimbursement program for customers. First of all, will the person's car – will the mileage be checked once and once only and any future reimbursements are going to be based on that one checkpoint; is that correct?

John Krafcik: So, Peter, what's great about this program, and thank you for asking this question; it's completely flexible. So, for example, if a customer was a high-mileage customer who drove 10,000 miles a month; they could come in on a monthly basis or a weekly basis to get their mileage read and then a new debit card would be sent to them.

If they're a low-mileage customer you know they can you know they can come to the dealership once a year or whatever they like. So – and again, that is good for as long as the consumer owns the vehicle. It's also ...

(Peter Valdes-Dapena): (So sort of) ...

John Krafcik: ... on local (inaudible) ...

(Peter Valdes-Dapena): (Inaudible). OK, so the person could have their mileage checked, basically as frequently or infrequently as they feel like it, but they will get one debit card for each time their mileage is checked.

John Krafcik: They'll – yes, they'll get a different debit card each time; they'll have a different debit card mailed to them, which they can use anywhere. It's just like cash.

(Peter Valdes-Dapena): Sure.

John Krafcik: Correct.

(Peter Valdes-Dapena): OK. And one time – each time it's checked. So one thing I don't understand then is, if I've already sold my Hyundai to someone else; how does that work? How do I get my mileage checked if I no longer have the car in my possession?

John Krafcik: Well that would be just one, right, because they've already sold the car so they wouldn't be coming back again. And we would assume that the mileage evidence that they provide us, based on the bill of sale, is mileage that they drove in that car and we would compensate them for that mileage.

(Peter Valdes-Dapena): OK, so (you'd) check the bill of sale and the odometer reading on that.

John Krafcik: Correct.

(Peter Valdes-Dapena): And take that; terrific, thank you very much.

Operator: Your next question comes from the line of Ben Klayman. Your line is open.

(Deepa Seetharaman): Hey, this is actually Ben's colleague, (Deepa Seetharaman). Just one quick question; how much is this program is going to cost you know this year or do – or if you have an estimate for the lifetime of the program? Can you tell us – give us some sense of how much this is going to cost Hyundai?
Thanks.

Male: And Kia.

(Deepa Seetharaman): And Kia?

John Krafcik: (OK) you know our focus is – our focus is on making it right for current and former owners of Hyundai and Kia vehicles who've been affected by this, so that's been our real focus. Honestly, we haven't looked at the total cost of the program.

(Deepa Seetharaman): I mean, would this be something that – are we talking about in the millions or is this – how – do you have any sense of – on the order of scale?

John Krafcik: Certainly millions; no question.

(Deepa Seetharaman): OK. Like 10 million? I mean I guess – it's – I'm sure you guys have some sort of idea of how much this would cost you over the lifetime of the program. It seems like a pretty significant effort to undertake.

John Krafcik: Yes. There's no question; it is – it is definitely a significant investment. And again, our commitment to our customers is to make it right. We'll probably know a little bit more about total costs in some time, but our basic philosophy here is we're going to spend what it takes to make it right for our customers.

(Deepa Seetharaman): OK, thank you.

Operator: Your next question comes from the line of (Bill Vlasic). Your line is open.

(Bill Vlasic): Hello, good morning. I got on late here, so if I ask a question that's been answered already, please forgive me. Just related to that – the total cost of the program; I know you don't know yet, but what's the average consumer going to get in terms of this debit card? What's a round figure?

John Krafcik: It really depends on the mileage they drive, so you might have missed Michael's example, but you know for our typical affected consumer, it's only – it's a one MPG change.

(Bill Vlasic): Yes.

John Krafcik: So if they drive 15,000 miles in a year and if they lived, for example, in Florida, which has a gas price which is fairly close to the national average, and again, we're paying based on gas price in eight different areas, so you'll be compensated very close to what your actual expenditure would have been.

For that particular consumer, with our 15 percent inconvenience bonus, for 15,000 miles in a typical location at a one MPG delta, it's about \$88 per year. So if the consumer owned that vehicle for 10 years you know depending on how gas prices go, up or down, that would give you a sense for the total lifetime cost for that particular consumer.

(Bill Vlasic): So you will – they'll get the debit card for \$88, this particular consumer, and for each year they've owned the car, so if it's five years, it would be 88 times 5?

John Krafcik: Yes, all they'll do is they'll come to their Hyundai or Kia dealer as frequently as they like. Their mileage will be checked. We'll have in the database you know the understanding that, oh, last time you were here, you had 15,000 miles. This time you're here with 25,000 miles. That delta is 10,000 times the fuel economy delta times the local price of gas for that period equals the amount of the reimbursement, plus a 15 percent inconvenience bonus.

(Bill Vlasic): And how quickly will the first consumers get their cards?

John Krafcik: The very first consumers; do we have the answer to that one?

Michael Sprague: Yes. The calculator that we're having people go onto HyundaiMPGinfo.com and KiaMPGinfo.com should be up tomorrow. Then about mid next week to late next week, everything should be in place for the first consumers to go to their dealerships. What's important here is we're really making the process as quick and convenient as possible; getting our dealers up to speed and so forth. So by the end of next week, we should be able to let our consumers know they can go to their preferred dealerships and start getting their reimbursement.

(Bill Vlasic): And do you anticipate 900,000 consumers taking advantage of this?

John Krafcik: Well we're going to do everything we can to ensure consumers take advantage of it. I mentioned the national full-page – full-page ads that begin on Sunday and go through much of next week. We're also reaching out to all of these owners with direct mail and e-mail. We're going to contact them in as –

through as many different channels as we can to ensure that they're aware of the program.

Michael Sprague: And it's important to know, it's also previous owners of vehicles as well. So we want to make sure that everybody is aware of this.

(Bill Vlasic): And is that number right; 900,000? I know you said 900,000 vehicles, approximately, but ...

John Krafcik: Yes, it's – and we used approximately on the press release. The actually specific number, which is now clear after we finished the October closing date, is something closer to 897,000, but 900,000 is a good round number. And again, Bill, another key point to make, if you missed this earlier, is that the total population of cars Hyundai and Kia sold during this period was 2.7 million.

(Bill Vlasic): Yes.

John Krafcik: So the population here is, roughly speaking, 35 percent of vehicle sales during this period or the vast majority of the affected vehicles; two-thirds of the affected vehicles have a one-MPG combined change.

(Bill Vlasic): Are there any issues with vehicles sold in other countries other than the U.S. that you might have to do the same kind of thing with?

John Krafcik: We can't speak for other countries, but our understanding is, for example, that Canada has a similar mileage system.

(Bill Vlasic): And one last thing, the EPA says they were contacted by consumers who were concerned about their gas mileage. Has Hyundai been fielding complaints, concerns by consumers on this topic and how do you – how did you respond to that?

John Krafcik: I think it's fair to say that every manufacturer receives concerns and complaints on this topic. I mean all you have to do is go to any automotive Web site, like Edmunds or Autoblog or whatever; I think you'll find many

consumers for every brand will often bring forward concerns about their fuel efficiency.

(Bill Vlasic): You know and following up on somebody's earlier question, I mean you've had a great reputation for consumer – for treating your consumers well and giving them the – sort of an alternative to some of the other manufacturers. (Do you) feel any – (fear) you're going to get any backlash from your competitors because you've sort of been – you've kind of taken the high road at times before, in terms of you know Hyundai's consumer-friendliness and this kind of you know I guess we would call it a black eye. Do you expect your competitors to take advantage of it in any way?

John Krafcik: You know it's hard to say. We can't really speak for our competitors. It's certainly a very competitive industry, but you know we'll see. We're going to focus on our actions going forward and demonstrating to our consumers that we sincerely apologize for this error. Our hope is that consumers and shoppers alike look at our actions and understand how committed we are to making this right.

We think what we're doing is a pretty unprecedented action and shows just how focused we are on consumers. You know this commitment that we have at Hyundai, having people's backs and covering for them and programs like Assurance. We've designed this compensation program to be very much in that same feeling; that same category.

(Bill Vlasic): Great. And was that John just speaking now? I'm sorry.

John Krafcik: Yes, it was John.

(Bill Vlasic): OK. Thank you, John; thank you, gentlemen.

Operator: Your next question comes from the line of (Ryan Beene). Your line is open.

(Ryan Beene): Hi, John; hi, Michael.

Male: Hi, Ryan.

(Ryan Beene): (Just wanted to) – fuel economy’s been such an – a central part of your public-facing identity, your advertising and marketing focus. You know will it continue to be that way going forward?

John Krafcik: You know people buy cars for a lot of different reasons, Ryan; design, quality, value, fuel efficiency. I think if you look at the balance of Hyundai and Kia marketing over the over the past year you know you’d find fuel efficiency a smaller than you might think percentage of our total messaging, so we don’t really imagine much of an impact in our overall marketing approach at this point.

Michael Sprague: Ryan, it’s Michael. I would say the same for Kia. I mean our focus, as we’ve introduced nine new products over the last three years, is really to showcase all of the great attributes that the Kia brand offers, so to John’s point, the design, the technology, the safety, the warranty, of course. So those will continue to be our core communications messages.

John Krafcik: Thanks, Ryan.

Operator: Your next question comes from the line of (Zach Bowman). Your line is open.

(Zach Bowman): Morning, guys. My initial question was addressed earlier, but I’m a little curious you know there seems to be a pretty strong discrepancy in a few of the models, specifically the Soul jumped from 35 miles per gallon highway to 30 and I’m wondering if the evaluation program varied that much between model or how exactly that was set up between all the vehicles.

Michael Sprague: It’s Michael. So, yes, we’re aware of the difference. It’s the result of human error by our Soul test team, involving the incorrect data selection from the test runs that Dr. Cho was talking about. And as we stated earlier, we deeply regret it and we’re really going to make everything right for our Soul owners.

The Soul continues to have very – a very strong fuel economy story. In 2012, it – as (the) new model, it got much improved engine technology and power train enhancements. And many people will still receive the stated 30 mile per

gallon highway rating. But more importantly, the you know there are many reasons why the Soul is popular.

It's you know again, the style, the warranty, the image that that vehicle represents, and that's why we're going out with this, what we perceive as a pretty strong reimbursement program; to really make sure that you know consumers understand we recognize the mistake, we've fixed the procedural errors, and now we're making it right for our customers.

(Zach Bowman): And I guess just a larger background sort of question; were these vehicles evaluated by the same team or were there separate teams between Hyundai and Kia?

(Sung Hwan Cho): Yes, this (Cho, right, Zach). Let me ask you a question. By saying human error, it's just a not intentionally made. (It's just) interpretation mistakes and (during) the data selection process, the engineer made unintentional mistakes; that's the human error. And what is the question you're?

Male: Yes (inaudible) ...

(Zach Bowman): (And I'm) curious ...

(Sung Hwan Cho): We have – yes, our R&D division has many teams and (there are) one team which has been handling this fuel economy test, so it's one team.

(Zach Bowman): All right, thank you.

(John Krafcik): Thank you, Zach.

Operator: Your next question comes from the line of (John McElroy). Your line is open.

(John McElroy): (Again), thank you for your time. I've got a question that goes back to how this happened. If I understand Mr. Cho properly, and that's what I'm trying to figure out; Hyundai-Kia added steps to the EPA procedure? Do I have that right? And if so, why would you add steps?

(Sung Hwan Cho): Yes, the reason why we add steps is this test is extremely complicated and delicate and sensitive, so we have been introducing many different models of

vehicles to this market over past – during past three or four years, so we need to handle various types of models within a limited amount of time. So (that) made us to improve the efficiency of test (itself); how you efficiently make a test and generate the result.

So by saying that we need to reduce the – any repeated redundancy of the test, and secondly, we need to reduce the test-to-test variation. Due to the complexity of this test, there are many different factors that may affect the test results and make it inaccurate, so we add – we add (a little) more steps to make it more accurate and repeatable and reliable.

(John McElroy): And can you explain what kind of steps that you're adding to this process?

(Sung Hwan Cho): Yes, it's – let me – let me take an example of tire. There – this is not the only one, but when you, as I – as I – the tire is very important part which can affect the rolling resistance of the vehicle between the tire and surface, so how you prepare the tire is very important. And what we did is, instead of using public road to break in the tire, we used a test track, in other words, well defined condition. This is one example of that misinterpretation and adding process steps.

(John McElroy): OK. Thank you very much.

John Krafcik: Thank you, John.

Male: Thank you.

Operator: Ladies and gentlemen, we have time for one more question. Leslie Allen, your line is open.

Leslie Allen: Just a quick question regarding your dealers. When and how did you notify your dealers about this problem and what steps are they taking to prepare for the influx of customers that's going to result from this program?

John Krafcik: Excellent question, Leslie. This is John, speaking on behalf of Hyundai and Kia here. We notified our dealer council yesterday and we have communications with our dealers today; intensive communications. We've

sent an e-mail to them this morning. We have live video conferences with them and we have, this afternoon, coming to their stores, the beginning of the Monroney – well we call it Monroney, but the window sticker labels for all those dealers with instructions on how to actually make that process as robust as possible, because we want to make sure we get every single vehicle in stock.

So that's going on right now. We're also working with our dealers for this interim period, because there are going to be a few days here, right, just on the massive logistics of this, where some of the window stickers won't have been updated in time; for example, what might happen today or the sales that might happen tomorrow. And for those – for those cases, we've got special fact sheets going to our dealerships that we are ensuring consumers understand and check off before they buy the car that there's an understanding that the mileage ratings for some of the – for the affected vehicles have in fact changed.

Michael Sprague: And, Leslie, it's Michael with Kia. So we're following the same process that John defined in terms of all of our communications to our dealers.

Leslie Allen: OK, thank you.

Operator: Ladies and gentlemen, this concludes today's Q&A session. I'll turn it over to the presenters for closing remarks.

John Krafcik: We wanted to thank everyone for joining us this morning. I hope you get some of the key messages from this. I mean there's no question that you know our regret is sincere for these errors. It has made us more driven than ever to ensure our vehicles deliver outstanding fuel economy. You are going to continue to see Hyundai and Kia vehicles atop leadership boards when it comes to fuel efficiency; make no question about that.

And the other important point I think, and I hope you feel, is our commitment to our customers to make this right is a way that really hasn't been done before in our industry. We're very proud of this reimbursement program and how well we think it does and how far it goes to demonstrate our commitment to our consumers.

Again, those Web sites, if you wanted to check them out yourselves;
www.HyundaiMPGinfo.com and (www.KiaMPGinfo.com). Thanks again,
everybody.

Operator: Ladies and gentlemen, this concludes today's conference call. You may now
disconnect.

END