Press release

A 5-year Plan to Restore Trust of Hanjin Group
'Hanjin Returning to the People's Hand'
[Our public proposals]

Background of the Proposals

A. We, KCGI Inc(hereinafter "we" or "KCGI"), established KCGI Private Equity Fund 1 and KCGI Private Equity Fund 1-1, and hold 10.81% of Hanjin Kal Inc.(hereinafter "Hanjin Kal", which is a holding company of Hanjin Group, and 8.03% of Hanjin Inc.(hereinafter "Hanjin"). through special-purpose companies: Grace Holdings Limited, NK&Co Holdings Limited, Tacoma&Co Holdings Limited, and Grace & Grace Limited.

B. We believe that Hanjin Group has the potential to grow into a leading global aviation and logistics group representing Korea. Nevertheless, Hanjin Group affiliates' stocks are undervalued in the market. The reasons are poor corporate governance represented by embezzlement and tyrannical behavior, the arrogant and bossy attitude of the controlling shareholder family (Cho Yang-o family), excessive debt ratio resulting from unreasonable subsidies to affiliates, the possession of unnecessary idle assets, and lax management. Thus, we continue to invest more in Hanjin Group as we believe that our active role in monitoring and checking will increase the overall corporate value of Hanjin Group.

C. Hanjin Kal is a holding company located at the apex of Hanjin Group's governance structure. As a major shareholder of affiliates including Korean Air, Jin Air, Hanjin, KAL Hotel Network, and Jeongsuk Enterprise, Hanjin Kal has a direct impact on those companies' management and is the most representative of Hanjin Group's corporate value. As Hanjin Kal's second largest shareholder, we prepared a systematic and long-term plan to restore Hanjin Group's credibility and to improve its business value. In particular, we are committed to restore the corporate value through improving the debt ratio of Korean Air, which accounts for 78 percent of Hanjin Group's total sales and 41 percent of its net asset value.

D. In the meantime, we have conveyed proposals to restore the trust in Hanjin Group and to increase the value of the companies to Cho Yang-ho family and Hanjin Kal's executives in private. Specifically, we proposed plans 1) to improve Hanjin Group's governance structure and establish a responsible management system, 2) to reduce the excessive debt ratio and improve Hanjin Group's credit ratings to the level of global competitors by cleaning up idle assets, and 3) to enhance public trust in Hanjin Group and the pride of its employees.

E. However, the two sides failed to reach an agreement, due to the passive attitude of chairman Cho Yang-ho and executives to the proposals. Thus, we would like to seek the consent of shareholders and employees of Hanjin Group, including Hanjin Kal and Hanjin, and the people who love and care about Hanjin Group by publicly proposing a 5-year program to restore the trust in Hanjin Group.

F. Hanjin Group has sufficient potential to grow into a leading global aviation and logistic group. Unfortunately, the lack of independence of the board members and the systems preventing shareholders from exercising their rights restrained its sustainable success. We would like to ask the shareholders of Hanjin Group to pay close attention to the proposals and to offer their opinions. Your ideas will contribute to the protection of shareholders' rights and the development of Korean capital market as well.

G. Any shareholder of Hanjin-Kal and Hanjin, who wish to join the proposals, could contact on the Value Hanjin website (www.valuehanjin.com), which we have prepared to communicate with our fellow shareholders, to improve the governance structure and increase business value of Hanjin Group.

I. Corporate Crisis of Hanjin Group from KCGI's Perspective

1. Poor Corporate Governance Structure

From years 2015 to 2018, Hanjin Kal received grades B or lower in its ESG evaluation, where a company's environmental responsibility, social responsibility and governance qualities are measured and scored, by the Korea Corporate Governance Service (hereinafter "KCGS"). Misconducts of Cho Yang-ho family, subservient executive directors and excessive executive remuneration of Hanjin Kal are all accountable for the poor results. Especially, for four consecutive years, Hanjin Kal's Corporate Governance grade stayed at a low grade of C according to KCGS Evaluation.

During the so called "nut rage" incident, Korean Air's debit ratio was 809%(2014.3Q), meaning 89% of KRW 23.3 trillion asset distributable to the creditors. Among the leftover 11%, Cho Yang-ho and his family's direct and indirect shares amount to only 13.7%(direct 10.0%, indirect 3.7%), which makes up only 1.5% of the total assets. "Nut rage" incident is shocking and disturbing even if it was a wrongdoing committed by a person who owns 100% of a company's shares or assets, let alone a mere 1.5%.

Many cases have existed in Korea, in which controlling shareholders' unilateral and arbitrary decision-making put the entire business group at risk. Among them are Daewoo, Kumho, STX, Woongjin, and Hanjin Shipping. Poor corporate governance would harm other shareholders, creditors, employees and tax payers.

2. Excessive Debit Ratio Compared to Other Global Airline Companies

Credit ratings of Hanjin Group fell drastically from A0(2013) to BBB(2018), as it poured trillions of KRW to Hanjin Shipping, a company that went bankrupt in 2016, and LA Wilshire Grand Hotel. Moreover, Hanjin Group's flagship company, Korean Air's debit ratio was higher than 1,000% in 2016.

Although, Korean Air's debit ratio decreased to 559% due to paid-in capital increase(KRW 453.4 billion), issuance of perpetual bonds(KRW 333.4 billion) and gains on foreign currency translation(KRW 999.7 billion), its debt ratio is high compared to major Asian airlines such as Japan Airlines(69.5%), All Nippon Airways(156.1%), Singapore Airlines(88%) and Cathay Pacific Airways(207%). Furthermore, as a result of increase in foreign currency debt and the application of IFRS, debit ratio at the end of 2018 will be likely to rise up to over 600%.

Therefore, in case of long-term economic depression, soaring oil prices and abrupt changes in the currency exchange rate, Korean Air may face liquidity risks, which may eventually lead to a plight of Hanjin Group as a whole.

It remains a question whether Hanjin Group's investment of trillions of KRW in LA Wilshire Grand Hotel and Hanjin Shipping in 2012 and 2013 respectively, was through the board of directors independent decision for the interest of the company. These investments led to lower credit ratings and if economic crisis were to be overlapped (boost in oil price and currency rate), similar scenario to that of JAL bankruptcy in 2009 may unfold.

3. Lax Management of Potential Risks

Hanjin Kal's profits and losses are affected by Korean Air Lines Co., Ltd.'s gains measured by equity method. However, Korean Air's timid hedging practice on oil prices and foreign exchange rates is driving greater volatility in Hanjin Kal's profit.

Korean Air consumes up to 36 million barrels of jet fuel, and borrowed KRW 10 trillion worth of foreign currency at the end of 2017, increasing its pretax income vulnerability to oil price surges and exchange rate changes. In other words, comparatively timid hedging and excessive borrowing may cause performance plummet and deterioration in Hanjin Kal's financial structure.

Also, uncontrolled expansion of its hotel business, a sector very sensitive to tourism market cycle, increased risks in Hanjin Kal's financial structure and profitability. If the current risk management system does not improve, its financial structure may worsen.

4. Rapidly Changing Market Environment

Cathay Pacific Airways, a major Asian airline company, reached an operating deficit of KRW 78.5 billion and KRW 330.7 billion in 2016 and 2017, respectively, due to the busy growth of China's national Airline companies(Air China, China Southern Airlines). Marching success of Chinese airline companies may jeopardize Hanjin Kal as well.

Also, since 2015, domestic low cost airlines are increasing their market shares, contributing to the prolonged ongoing decline in Hanjin Kal's profitability in short flights to Japan and Southeast Asian countries.

II. KCGI's Resolution Proposal

1. Improvement of Corporate Governance and Establishment of a Responsible Management System

A. Corporate Governance Structure from KCGI's Perspective

Corporate governance relates to management decision making structure. Therefore, without effective corporate governance, even good companies have difficulties in reaching proper decisions in the long-term. Ideal governance structure is created with transparency in the decision making process. A board composed of directors capable of making autonomous decisions for the company's long-term vision with high moral and professional standards, combined with active shareholder engagement, would work.

Put another way, good corporate governance could limit controlling shareholders' arbitrary and tyrannical decision making through a transparent checking system and stakeholders of the company could be benefited with such improved decision making process.

In Hanjin Group, the directors/shareholders and directors/creditors relationships are fiduciary in nature. Furthermore, we view that our society entrusted companies with the task of providing goods and services and there exists a fiduciary relationship between the society and the companies in a sense. These relationships raise agency cost problems due to information asymmetry between trustors(shareholder, creditor or society) and trustees(directors or companies). Better governance system could minimize corporate or social agency costs.

For sustainable development of a company, shareholders, creditors, directors and consumers need active interactions in order to adapt to the rapidly changing market environment. Sustainable growth through transparent corporate governance will allow Hanjin Kal to further contribute to our society by creating jobs and paying tax.

B. Hanjin Group's Current Status

In regard to Hanjin Group, problems are continuously raised concerning Cho family's wrongdoings, embezzlement, use of affiliate companies to pay less inheritance tax, affiliate companies governance issues, subservient board of directors and supervisors, and excessive executive remuneration.

Also, from 2015 to 2018, Hanjin Kal.'s ESG ratings, an evaluation of a company's environmental responsibility, social responsibility, and governance, was lower or as low as grade B. In respect to governance, it received C grades for four consecutive years in KCGS evaluation, demonstrating Hanjin Group's poor corporate governance.

Despite higher demands to improve Hanjin Group's corporate governance, little is done by the current directors. In order to improve Hanjin Group's corporate governance, KCGI suggests 3 proposals: 1) establishment of a governance committee, 2) establishment of a compensation committee and 3) formulation of principles for responsible management.

C. Proposal for Establishing Governance Committee

1) For the improvement of governance structure, reinforcement of compliance system and

shareholder value maximization, we suggest establishing 'Committee for Improvement of Governance and Enhancement of Corporate Value' (hereinafter 'Governance Committee').

2) Governance Committee (similar to Samsung C&T's governance committee) will pre-assess issues relating to corporate governance and management which would have a major impact on shareholder value. Governance Committee will be composed of a company director recommended by management and two independent(outside) directors recommended by the KCGI after canvassing the opinions of ordinary shareholders, and three outside experts.

3) One of the Governance Committee members recommended by the KCGI and ordinary shareholders shall be appointed as Shareholders' Rights Commissioner, and he/she shall deliver shareholders' opinion to the Governance Committee regarding issues in discussion.

D. Proposal for Establishing Compensation Committee

1) For the fair evaluation of directors' performance and formation of a reasonable compensation system, we suggest establishing Compensation Committee under the company's Articles of Incorporation.

2) Compensation Committee shall be composed entirely of independent directors.

3) Compensation Committee shall determine reasonable amount of remuneration and severance pay for the directors based on company's revenue, profit and other financial performance linked to ESG ratings.

E. Proposal for Formulating Principles for Responsible Management and Compliance

1) To appoint highly competent CEO and directors fit for the company, we suggest establishing 'Executive Recommendation Committee' that would include an independent outside director, as means of building a fair and well-defined CEO succession process.

2) For compliance management, we suggest prohibiting appointments of candidates who committed crime against the business or degraded the company's reputation.

3) We encourage Hanjin Group to remove clauses limiting directors and supervisors' liability from Articles of Incorporation and adopt Corporate Governance Charter.

2. Measures to Enhance Corporate Value

A. Status

After the bankruptcy of Hanjin Shipping, domestic logistics industry went through a crisis and related businesses are still in the midst of industrial struggles. We consider that not only the long-term economic depression but also Hanjin Groups' business failure due to poor financial management and lack of planning caused bankruptcy of Hanjin Shipping.

In 2016, Hanjin Group's credit rating was downgraded due to the bankruptcy of Hanjin Shipping and massive investment in the hotel business(LA Wilshire Grand Hotel), which had little synergistic effect with its airline industries. Notably, Korean Air's debit ratio sailed to over 1,000% and while its credit ratings scored A in 2013, after acquisition and bankruptcy of Hanjin Shipping and tremendous expenditures on LA Wilshire Grand Hotel, it fell to BBB0 at the end of 2017.

In the face of these circumstances, rather than investing in industries contributing to the long-term growth of the company, Hanjin Group has been expanding its hotel(Songhyeon-dong Hotel, Paradise Hotel Jeju) and Wangsan Marina business which had meager synergistic impact on its airlines business. These decisions inhibit Hanjin Group's corporate value growth.

Also, contrary to other global airline companies, Hanjin Group continuously increased the types of aircrafts, from 5 in 2014 to 8 in 2018(Singapore Airlines, Cathay Pacific each possesses 4 types). Inefficiencies in maintaining the aircrafts and difficulties in procuring aircraft components continuously raised related costs.

Harsh profit and loss volatility owing to the ever-changing oil prices and exchange rates is also a risk factor for Hanjin Group.

As ways of enhancing corporate value and laying the foundation of company's long-term growth, KCGI proposes 3 plans: 1) A 5-year plan to repair credit rating of Hanjin Group, 2) investment plan to maximize corporate value and 3) supervision of an external professional agency for higher management efficiency and stronger risk controls.

B. A 5-Year Plan to Repair Credit Rating of Hanjin Group

1) We suggest a 'A 5-Year Plan to Repair Credit Rating of Hanjin Group' aimed to lift its credit rating up to A-(KRW 2.5 trillion annual EBITDA(earnings before interest,

taxes, depreciation, and amortization), 300% or lower debit ratio, 30% or lower borrowings and bonds payable ratio), a credit rating of year 2014 before Hanjin Group carried out its mass investments.

2) Details of the 5-year plan are ① disregard Korean Airline's(important subsidiary of Hanjin Group) investment in areas other than airline industries, ② sell idle lands(songhyeon-dong, Yuldo) to clear debts and decrease debit ratio, ③ evaluate strategies for Korean Air Tech Center(civil aircraft maintenance sector, asset KRW 1.2 trillion) to go public.

C. Corporate Value Maximizing Investment Plan

1) Complete and thorough reassessment on current investments; in hotels with chronic deficit problems (such as 'KAL Hotel Network', 'LA Wilshire Grand Hotel', 'Waikiki Resort Hotel'), in developments that has been stalled (such as in 'songhyeon-dong hotel site'), and in sectors with low synergistic impact on airline industry (such as 'Paradise Hotel Jeju', 'Wangsan Marina').

2) For the purpose of longstanding risk management and maximization of corporate value, rather than expanding hotel investments, we suggest a plan to lessen earnings volatility due to fluctuating oil prices and exchange rate.

3) We suggest selling idle lands and marketable securities such as POSCO and Hana Financial Group shares to invest more in the fast-growing couriers/delivery industry's automation facilities.

4) Topas is a profitable company with average 25% net profit ratio. In 2005, it had been asked by the Korea Stock Exchange to go public. In the light of these circumstances, we believe Topas may receive a more positive revaluation through an IPO.

D. Supervision of an External Professional Agency for Higher Management Efficiency and Stronger Risk Controls

1) With the help of global consulting firms with profound knowledge and experience in the airline/ transportation industry, we suggest establishing detailed measures for management efficiency, risk control and repairing reputation damages. In addition, we recommend receiving a comprehensive and multifaceted consultation from the firms for the Group's long-term development.

2) Cut down on the current 8 types of air crafts(B747, B747-8I, B777, B737, B787, A330,

A380, CS300) to approximately 4~5 types depending on the size of the plane to reduce left over components and to lower maintenance cost.(Japan Airlines 6 types, All Nippon Airways 6 types, Singapore airlines 4 types and Cathay Pacific Airways 4 types)

3) Positively consider IPO of the Korean Air Tech Center(civil aircraft maintenance sector) to drive its growth within the thriving low cost airlines market.

4) We believe it is necessary to make 'Working Group' a permanent body to generate surplus through all flight routes.

5) We consider hedging approximately 20% of the fuel costs, which comprise 30% of the total cost, is necessary to seek cost predictability.

6) In order to the manage gain/loss of foreign currency translation, Hanjin Group should gradually decrease foreign debts.

3. Measures to Increase Customer Satisfaction and Rebuild Social Trust

A. KCGI's Stance on Corporate Social Responsibility

We believe employee satisfaction drives customer satisfaction.

We acknowledge that total revaluation of current services, while benchmarking global competitors is in need. Also, taking into consideration staffs' creative in-puts is necessary to improve customer satisfaction, especially in Korean Air, Jin Air and Hanex where recent customer satisfaction ratings fell.

We understand that to enhance company's social responsibility, Hanjin Group's first mission is to satisfy customers and staffs. And second mission is to create jobs and generate profit through global competition. We aim to satisfy staffs, shareholders and creditors by accomplishing these missions.

In order to improve customer service and restore social responsibility, we suggest 2 types of measures: 1) measures to strengthen social responsibility, 2) measures to increase satisfaction and restore self-confidence of employees.

B. Measures to Strengthen Social Responsibility

1) In order to prevent Cho family's' overhanded behavior ("Gapjil") and engagement in

legally dubious behaviors, and to repair harmed reputation of the brand, top management with great expertise and high morale should autonomously make decisions for the company, while major shareholders diligently take part in supervising the board.

2) We suggest establishing a permanent discussion committee comprised of important stakeholders, such as shareholders, staffs, partner companies and social organizations to strengthen Hanjin Groups' social responsibility.

3) We recommend adapting and implementing a Social Responsibility Management Code.

C. Measures to Increase Satisfaction and Restore Self-Confidence of the Employees.

1) For responsible management and compliance, we suggest appointing chief executive officers with top talent to affiliate companies, blocking major shareholders' tyrannical behavior.

2) In order to apprehend employee's demands and to resolve their complaints, we encourage settlement of a permanent task force team comprised of staffs encompassing all sectors of work such as flight, hotel rooms, maintenance, logistics, sales, etc., similar to that of a matrix system.

3) Hard working employees who were once proud of working at one of the most prestigious companies in Korea, where the logo represents the Korean flag, were severely discouraged by major shareholders' misconducts. In order to restore self-confidence, we suggest operating a 'Hanjin Staff Self-Confidence Program'.