



Transcript: March 11,2014 - MPG Luncheon at Kia Motors America

Kia K900 Presentation

Featured Speakers:

Michael Sprague, Executive Vice President of Sales and Marketing

Eddie Rayyan, K900 Product Strategy Manager

Michael Sprague: Thank you all for joining us at our U.S. Headquarters. We really appreciate it. Some of you, I think, were with us a couple of years ago when we introduced the new office. It's great to see everybody back again as well as all of the new fixes.

I'm just going to take you through what led us up to the K900 and to do that, to tell part of the story, I'm going to look back a little bit into the past. Between 2009 and 2012, we introduced nine all new or significantly redesigned products, really starting the transformation of the brand. In 2013, in spite of our sales being now up 4 percent, it was really a momentous year for us, because we introduced seven all new or significantly redesigned products; starting with the Sorento, the Forte, the Cadenza, the Optima, the Soul, the Forte 5 and the Forte Koup, so, it was a really busy year.

In fact, we sold over 5000 vehicles for the second year in a row. The Optima and Soul and Sorento all sold over 100,000 vehicles, which is a significant milestone for us. And Optima and Soul were at all time sales records last year, so very exciting.

Our plants down in West Point, Georgia, which opened up in November 2009, built its one-millionth vehicle in just three and a half years. So again, a really big milestone. As a brand, we received over 87 awards and accolades from publications such as your own up there, so we really appreciate all of that.

Again, very busy for us, a transitional year as we move into 2014. As you've been with us over the years, we don't stop, we keep going. In fact, in 2014 were celebrating our 20th anniversary here in the United States. Anybody at the Portland Auto Show in 1993 where we introduced our first vehicle? No? Anybody want to admit it? So, we've come a long way in 20 years. It's been an absolutely fantastic ride as a brand. It's very exciting to see the number of orders grow.

In fact, in 2014 we anticipate we'll pass the five million units in operation, so that's going to be coming up here shortly. Busy from an auto show perspective, we introduced the GT4 Stinger at the Detroit Auto Show, which got great reviews. It was very becoming. We're very excited to see it.

Again, if you've been with us, a lot of times we show things at auto shows and events as concept vehicles that eventually come to the market, so stay tuned.

Then, in Chicago we followed it up with three vehicles. We introduced the Optima Hybrid Production vehicle. It had a minor refresh. We've also introduced the Soul EV, our first electric

vehicle to come into the marketplace. It'll go on sale later this year. So, it's very exciting to connect with the eco-minded buyers.

Then, we also introduced the Niro concept. The whole story in Chicago was about our environmental story and what we're doing to be environmentally friendly.

March continues. For those of you who are golf fans, we've got our sponsorship of the LPGA Kia Classic down at Aviara, just south of here down in San Diego County. It's our fifth consecutive year of partnering with the LPGA with mostly the Kia Classic, so it should be a lot of fun. It's really going to be the first place that we publicly show the K900 outside of an auto show. So, consumers are going to have great opportunities. Its experiential becomes a big part of our launch plan. It's a great platform for us to leverage.

A lot of you are sitting out there saying, "Okay, you've been in the marketplace for 20 years--only 20 years--a lot has happened, but really why are guys introducing this vehicle? How does this fit into your long-term strategy?" There's four tenants to our strategy that I'll talk about here.

The first is that we need to concentrate on quality and this is coming from the top of the house. Our chairman has said, "Quality is first and foremost, our number one priority." We need to continue to improve the reception of our brand and so relentless pursuit of improving quality.

Secondly, strengthening the brand. Very important, partnering with other organizations to help elevate the brand. Of course, elevating the ownership experience, very important to this incredibly competitive marketplace. Everybody's got great design and great fuel economy, great safety. Now, we're all differentiating ourselves through the ownership experience and so we're doing a lot of things to help that as well.

Finally, we're identifying new segments for growth and that's where the K900 comes in. Let me just step back a little bit and talk about our quality and how we're doing in the marketplace. According to J.D. Power, we had the highest rate of quality improvement of fastest rate of quality improvement last year from 2012 to 2013. In fact, the Soul received the J.D. Power Initial Quality Study Award for its segment as did the Sportage—Sportage tied within its segment, but still absolutely phenomenal quality.

What's really cool, it was the first time that Kia ever cracked the top 10 in J.D. Power Initial Quality. So there we are at 106, but notice who we're ahead of: Audi, Cadillac, Lincoln, BMW, some pretty strong and powerful brands; brands that have a lot of heritage and have a perception of being great quality vehicles. And here, last year, we beat them and made it into the top 10. So, we're going to continue our pursuit of improving our products going forward, of course.

In terms of strengthening the brand, everyday we're looking at new and innovative ways to make sure that people understand

who we are as a brand, what we stand for and it really elevates the perception of the brand.

In 2012, Interbrand named Kia into their top 100 global brands for the first time. You remember 87. In 2013, we moved up a little bit to number 83, ahead of brands like Starbucks, Chevy, Harley Davidson and Ferrari. We're keeping pretty good company. We're very excited by it--the recognition that we've gotten. We've also been named through Interbrand's top 50 global brands—global green brands. We were ranked 37 last year.

If you were in L.A. with us when we introduced the K900, you may remember that we had said that residual value is a great indicator of brand strength. We've got some pretty compelling products. We've got the seventh highest residual value among mainstream brands. If you think of where we were just five years ago before our product transformation started, we've come a long way.

In fact, the Cadenza is—the Cadenza' residual value is one of the highest in the segment. When we launched the Forte, it had the residual value of any Kia product ever launched. The Soul last year was at ALG Residual Value where it's cited selling 118,000 units, so we're very excited to see the improvements we've made in that area.

We have also partnered with a lot of great organizations. They say you are a reflection of the company that you keep and we think we're keeping some pretty good company with partnerships like the NBA, Madison Square Garden, the College Football Hall of

Fame. We're one the founding partners where they moved to Atlanta later this year. We mentioned the LPGA, the Kia Classic. We've got a great partnership with Donors Choose, which is a crowdsourcing for public education and also with BRAKES, which is a teen driving program that helps teenagers with responsible driving.

Of course, we've got YouTube and MTV and a lot of other things. So again, we're partnering with some pretty strong brands. As they continue to rise, we draft off of that as well and improve our perception in the consumer's eyes.

As I mentioned, it's a very competitive marketplace, great products coming from all of the OEMs. How we can differentiate ourselves is the ownership experience. We're spending a lot of time with our dealers, working on improving our facilities, improving the training that we're giving the sales consultants and their technicians to make sure the vehicles are sold ready and fixed right if they have to come in. This is the full intent of our strategy.

As I mentioned, 20 years in the United States, and again, for those of you who've been with us along our journey, we continue to defy convention, we zig where others zag. We're a challenger brand and we continue to challenge what we perceive as traditional automotive thinking, whether it's from a products standpoint or from a marketing standpoint and that's where the K900 comes in.

The question again is, “Why now?” “Why *not* now?,” is really the question that we’ve asked ourselves? We have a lot of customers that are coming in for our new products, the Optima, the Sorento, the Cadenza, and saying, “I want something bigger. I want something more luxurious. I want something with more technology,” so we saw an opportunity.

We also saw other luxury brands moving down into the mass market space, selling vehicles under the \$30,000 price point and we asked ourselves, “If they can move down, why can’t we move up?” Traditional automotive thinking says, “Well, you can’t.” We said, “We can,” and you’ll see that when you have an opportunity to drive this vehicle a little bit.

We also saw in the marketplace, tech-obsessed consumers, people who were looking for vehicles filled with technology. If you have an opportunity to drive this and as Eddie Rayyan will explain it in a little bit, it is filled with technology, the usual technology that drivers can use everyday.

We also found a new or different definition of what a luxury brand is. Luxury historically has been defined by tradition and heritage and what we’re finding is that there are consumers out there who don’t want luxury defined that way. They’re looking for a more modern interpretation of luxury and that’s what the Kia K900 represents. It’s a more modern tradition, moving away from traditional heritage.

We also saw shoppers looking for something intriguing and unique when talking to people who say they don't want to be defined by the brands that other people define themselves by. They're looking to discover new things and particularly in the post-recession environment, they're looking for something that they feel good about buying. They're okay if their neighbors pull up in their \$100,000 BMWs and they can drive up in their driveway in a \$66,000 K900, because the value that this product represents is significant.

So, who are we targeting with this vehicle? It's—we call them "confident individualists" They're straddling the Gen-X and the Baby Boomer demographics. They're at the top of their careers. They've worked hard to get to where they're at. They're professionals. They may be lawyers in small firms, accountants, ad agencies, things along those lines. They're independent and successful enough to possess self-assurance that they can do things differently from everybody else.

From an inside standpoint, we've looked at these people and see what they like to do. Their lifestyle is about knowledge-seeking. They're into career and work life. They're into cultured exploration. In terms of their passions, they're worldly, they're busy because they've worked so hard to attain what they've achieved and all of this will lead up to our launching the vehicle.

Many of you may have seen our spot in the Super Bowl. We call it "The Truth" and we took this play off of the 1999 film "The Matrix" in which Laurence Fishburne challenges Keanu Reeves, to

challenge his perception of reality that he knows. So, we had a great spot in the Super Bowl and I'm going to play it here right now.

Commercial: "Let me tell you why you're here. It is the world of luxury that's pulled over your eyes to blind you from the truth."

"We just want to get our car."

"Take the blue key, go back to the luxury you know. You take the red key and you'll never look at luxury the same again."

"This is unreal."

"No, it's very real. This is what luxury looks like. This is what it feels like and this is what it sounds like." [Harmonica plays]

["Nessun Dorma" by Puccini, sung by Luciano Pavarotti]

Michael Sprague: For those of you who are "Matrix" fans, there's 14, what we call, "Easter eggs" planted in that spot. If you go back and look, there are references to the movie. The woman in the red dress is one of them, so you've got 13 more to find. That was just a little fun that we had.

Why would we introduce a car that has limited appeal to an audience of 111 million people and we did it because we see this vehicle as really serving as a halo for the entire brand. We wanted to showcase our best foot forward to, again, 111 million people, so that in turn they would then go and realize, "Wow, if Kia can

introduce a \$66,000 luxury sedan, what else can they do?” And we’ve seen the results—very strong results, not just for the K900, but also for all of our products.

During and after the Super Bowl, this data comes from Edmunds: We saw a significant lift as soon as the spot ran and then also the following day. So, people went back to work or back to school and still searched for the K900. It was the most watched spot along with the Audi spot, because it was in the third quarter, the most watched quarter before Seattle ran away with the game.

There’s some other interesting data up there, but again we connected with, not only the target customer, who we were going after, but also many other consumers who were interested in finding out more about the Kia brand.

In fact, the opinion on the others brands went up 41 percent, so it was very good to see it did exactly what we were hoping to do—raise the perception of our brand, but then ultimately drive traffic. It says here that many people want to go and visit the dealer.

So what are we doing to go forward? We’ve got a multi-platform campaign that started with the Super Bowl. It’ll continue through June and broadcast in print, online, CRN and experiential. Now, just because I mentioned taking off the experiential side of our plan with the platform down with the Kia Classic in just about two weeks time.

That's kind of where we're at from a brand and marketing standpoint. At this point, I would like to introduce Eddie Rayyan. And he's going to come up and give you some more details about the product itself. Alright, Eddie.

Commercial: "I'm not here to tell you what luxury is or what it isn't. That is up to you. I'm merely here to show you the door. And this is the state-of-the-art onboard technology and the meticulously crafted interior and the premium Nappa leather trim reclining rear seats. So, what is luxury? The only way to truly know is to open the door."

Commercial: "They say that tradition and heritage are what make a luxury Sedan, but is that truly the case or could luxury simply be defined by the way something looks, the way it feels, the way it makes you feel? Perhaps it's the way it makes others feel about you. While some will cling to the notion, that history is what makes a luxury Sedan, the open-minded will form an opinion of their own."

Michael Sprague: All right, now let's bring up Eddie, our Product Strategy Manager. Thank you, Eddie.

Eddie Rayyan: The K900 is a big car, both what it means from a company and how physically hard the car is. When we received the green light to develop this car, we focused on four key areas: design, luxury,

performance and technology, tying it all together to create a compelling offer to consumers.

On the exterior, we started with the balanced, rear-drive proportion; the front engine rear-wheel drive vehicle gets their proportions and from the front of the vehicle is Kia's new interpretation of our grille here, dipped in chrome as well. From whatever angle you look at the vehicle, the strong shoulder lines in the front to the rear of the vehicle adds strength and presence, demanded in this category.

To add an element of modern feel, all Kia K900 V8s have LED lights. Every exterior of the K900 has an LED bulb. I'll touch more on the details in a few moments here.

But transitioning to the interior, the K900 is there to spoil and reward the occupants. We tried to create a modern and sophisticated interior using exceptional world-class materials. Some of the ways we achieved that is using standard Nappa leather seats. All K900 V8s have standard Nappa leather.

This is typically a \$1000-\$2000 option from competitors – it's standard on the K900. Natural wood accents adorn the interior as well as a standard, full-length, panoramic sunroof from the front to the rear of the vehicle. Again, standard in this vehicle. Typically, its (another) \$1000—\$2000 option with some competitors.

Other features in the Kia are the front and rear passenger as well as ventilated seats are standard equipment. Climate control for all occupants enhance the comfort for all people in the vehicle.

Typically, people fight to ride shotgun, the K900 reverses that. The rear seat that come from the VIP package includes individually reclining rear seats that are ventilated and it's also got power interior shades in the rear for enhanced comfort and privacy.

All K900s have standard center console control, which allow you to adjust the temperature in the rear, as well as your seat adjustments. There are also individual air and lumbar supports, which exact comfort for rear passengers.

In terms of performance, car buyers will not sacrifice. They want the best ride and the best handling at the same time. K900 delivers that.

We focus on four key areas here: platform, powertrain, chassis and low NVH. In terms of the platform, we started with an advanced modern, front engine, rear-wheel-drive platform. Then, getting a 120-inch wheelbase gives enhanced stability and driver comfort, as well as more interior passenger room.

In fact, the K900 has more interior passenger room than a Lexus LS, Audi A8 and the BMW 7-series. With a nearly perfect weight and balance in front and rear, it enhances the right comfort and handling of the vehicle as well.

The advance body structure uses more than 75 percent of the steel of the vehicle. It's either high strength or ultra high strength steel. This enhances the body rigidity, improving robustness of the

vehicle for true stability and safety. It also reduces NVH as well. The center reinforcement ring ties it all together, further instructing the vehicle's structure.

Kia's first use of the V8 Sedan is a 5.0L gasoline direct injected V8 engine, featuring advanced technologies and delivering 420 horsepower. This means the vehicle moves on from zero to 60 in well under six seconds. Attached to this engine is Kia's first use of eight-speed, in-house automatic transmission. Its compact, lightweight design is designed for quick and confident shifting. Variable drive modes — whether its Eco, Normal or Sport — can be tuned by the driver for the exacting requirements.

In terms of riding and handling, again, it's a no-compromise; these buyers are the best of the best. And the way we achieved that with the K900--the way we achieved that with K900 is fully independent five-link suspension in each corner of the vehicle, extensive use of aluminum components to reduce unsprung weight. Nineteen inch staggered wheels, and rear tires that are wider than the front enhance handling and bring the K900 to a confident and quick stop are enormous four piston front brakes. You'll get to experience that a little later today.

We're doing some testing right now. We expect a class-leading vehicle rating to this vehicle. A quiet interior vehicle means enhanced—the driver can easily talk to the passenger without having to raise their voice and it also sends cues and signals to the buyer, "This car's a very luxurious premium vehicle."

How do we achieve that? This generous use of noise-reducing material throughout the entire vehicle, as well as an underbody airflow management system, reducing the noise that goes underneath the vehicle. To top it off, laminated front and side windows reduce noise even further—reduce interior noise as well.

As mentioned earlier, technology-obsessed consumers are demanding the best equipment in their vehicle. And we focus on four different areas here: multimedia, driver's assistance, heads-up display and, of course, safety.

All K900's feature a navigation system displayed in high resolution, 9.2-inch display in the center. UVO e-services enhances that, and all K900s feature SiriusXM traffic, weather and software information as well included in all vehicles. It conveniently shows driver's information control is looking between the driver and passenger's seat for access to all vehicle function at the touch of your fingertips.

Again, all K900s feature an award-winning Lexicon audio system. A 900-watt system with 17 speakers, standard on the car. Some competitors charge for a premium audio system. Standard on K900. It's effectively an orchestra. I really encourage you guys to crank it up today when you're driving a little bit later.

In terms of driving assistance, the idea here is to boost driver's confidence driving this vehicle. Starting with the front of the vehicle, all K900's have standard quad-beam full LED headlamps.

That's a \$1000-\$2000 option for competitors. Standard. Sixteen individual LED bulbs illuminate the road ahead of you. LED bulbs mimic natural sunlight to make viewing visibility in the evening much better. It will also bend with the road in front of you for enhanced visibility late at night.

A slew of safety and driver's assistance features are available in the K900, including lane departure warning, blind spot protection and a surround view camera can give you a nearly 360 degree view for maneuvering in tight parking areas. Kia's first use of a full colored, heads-up display makes its start in the K900. The idea is to minimize driver distraction.

The heads-up display is a fully configurable display to allow you to have vehicle speed and other important operations as a turn-by-turn navigation system and some warning icons as well. Keep your eyes focused on the road without being distracted with too many features inside the vehicle.

We take safety very seriously here at Kia and the K900 certainly delivers that with reinforced body structure and crash durable commercial grade adhesive enhances the strength of the vehicle. Included are, also, eight standard air bags to keep occupants inside the vehicle safe.

Stability control and traction control, of course, are all standard. In its first introduction of forward warning collision-type alert system, makes its debut in the K900. We call that advanced vehicle safety measure, which effectively is a forward looking

radar system in the event that impending any impact will notify the driver of the invisible and audible cues to—should that not alert the driver, the seatbelt will actually tug on the seatbelt to wake you up. If that still doesn't work, the brakes will be pre-pressurized to help you mitigate any sort of forward impact in front of you.

Now, competitive landscape — We know that we're competing against the finest cars in the world: the BMW 7-Series, Audi A8 and the Lexus LS. K900 is designed to deliver competitive offering to the vehicle size, performance and technology. And it's designed to also compete in a much more reasonable price point, something closer to the midline prices of the BMW 5-Series and Audi A6.

It's important to know that in a premium luxury car segment, since the time of the great recession, the average MSRP of those prices have increased nearly three times faster than the average MSRP of all other vehicles. Any additional opportunity of the K900 to deliver some sensibility to the segment and additional value that consumers require these days.

Now, we've made packaging very simple, starting at \$59,500, the K900 has unsurpassed levels of standard equipment. These are high value level equipment, including Nappa leather trim, panoramic sunroof, full LED headlights and the list goes on and on and on. An addition to the motor vehicle is the K900 VIP package. Those are the cars you'll be experiencing a little later today and it

includes a rear seat VIP package as well as a few hundred hi-tech features we'll experience a little bit later today.

But whether we continue to touch high points here, the VIP package, which you guys are driving today, is \$65,500. That's all in, fully loaded. Competitors with similar price point are well over six figures. At \$65,500, that's absolutely a hell of an offer, which includes a three-year complimentary scheduled maintenance program, potentially saving you thousands of dollars over the course of ownership of this vehicle. The K900 is fully competitive and a true luxury flagship sedan from Kia.

Rather than me continuing to talk, we're here to drive the vehicle, and of course, enjoy each other's company, but I will get the rest of the questions outside of the vehicle. I'd like to respectfully request the 15 cars out there right now, we have our fellow media and journalists drive those cars first, fellow colleagues if you don't mind. We still have until 2:30 P.M. to drive the vehicles, but give preference to our media and journalist guests first, if you don't mind.

These cars are all pre-production units and press materials are available at Kiamedia.com. We sincerely thank you guys for attending today. We certainly appreciate that.

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