

## **HYBE CALLS FOR ACTION TO SM ENTERTAINMENT FOLLOWING PROVISIONAL INJUNCTION DECISION**

HYBE sent a letter on March 6 to SM Entertainment (“SM”) requesting follow-up actions for the court’s decision to enjoin SM from issuing new shares and convertible bonds.

On March 3, the Seoul Eastern District Court granted a provisional injunction to prohibit the issuance of new shares and convertible bonds in SM, in a case brought forward by former SM Chief Producer Lee Soo-man against SM.

In the letter, HYBE urged SM to do the following:

- Prohibit all actions that are contrary to the provisional injunction decision
- Immediately terminate investment contracts such as share subscription agreement, and convertible bond subscription agreement
- Immediately terminate the business cooperation agreement signed with Kakao
- Withdraw the Board of Director candidate recommended from Kakao and cancel the appointment at SM’s General Shareholders’ Meeting

‘Actions that are contrary to the provisional injunction decision’ stated above include receiving payments for new shares or convertible bonds, electronically registering and issuing a certificate for shares or convertible bonds, and applying for registration. All related acts should be considered evident acts of illegality.

The provisional injunction decision also grants SM “the right to immediately terminate the investment agreement” as it constitutes a reason for the termination of the share and convertible bond purchase subscription agreement. HYBE urged the Board of Directors, which has a duty of due diligence, to promptly exercise the right to terminate the investment agreement and conveyed that any delay or arbitrary change would also be an illegal act.

SM also obtained the right to terminate the business cooperation agreement it entered into with Kakao, as the transaction cannot be concluded due to the court’s injunction decision. Regarding this, HYBE demanded that “the current Board of Directors should fulfill its duty of care and duty of loyalty towards SM and actively exercise the right to terminate the business cooperation agreement, which contains clauses that are disadvantageous to SM and advantageous to Kakao.”

With the immediate termination of the investment agreement and business cooperation agreement, SM can also withdraw its recommendation for the director candidate nominated by Kakao in accordance with the provisions of the business cooperation agreement. Based on these contents, HYBE urged SM to exercise its “right to withdraw the recommendation of the director candidate nominated by Kakao.”

HYBE emphasized that “not complying with or violating such subsequent action requests is an intentional breach of SM’s significant rights, as it is an opportunity to be remedied from the illegal investment agreement and unfavorable business cooperation agreement.” The company requested SM’s statement on the position of the SM Board and individual directors, and its plan by March 9.

###