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**ELLIOTT'S LETTER¹ TO
DIRECTORS OF HYUNDAI MOTOR COMPANY**

14 August 2018

BY COURIER

Board of Directors
Hyundai Motor Company
12, Heolleung-ro, Seocho-gu
Seoul, Korea

Dear Directors of Hyundai Motor Company:

We write this Letter as a significant shareholder of Hyundai Motor Company (“HMC” or the “Company”), holding approximately 6.4 million common shares of HMC as of 13 August 2018, representing approximately 3.0% of outstanding common shares of the Company. We also hold shares in Kia Motors Corporation (“Kia”) and Hyundai Mobis Co., Ltd. (“Mobis,” collectively with HMC and Kia referred to herein as the “Hyundai Motor Group” or “HMG”).²

Introduction – Lack of Investor Communication

On 28 March 2018, HMG announced a group-wide restructuring plan (the “**HMG Restructuring Plan**”) that involved spinning off Mobis’s domestic module manufacturing and after-sales parts businesses and merging them with Hyundai Glovis Co., Ltd. (“Glovis”), followed by a series of share transactions between the Group’s principal shareholders to streamline its ownership structure.

In response to the HMG Restructuring Plan, and to address the fundamental concerns the shareholders and Korean market in general have raised for so long, Elliott has offered alternative ways to transform HMG to a leading global enterprise, most notably via Elliott’s Accelerate Hyundai Proposals (“**Accelerate Hyundai Proposals**”), which we published on 23 April 2018. Despite our repeated call for enhanced capital returns, optimized financial

¹ This Letter is from and is prepared solely by Elliott Advisors (HK) Limited, which advises various Elliott-affiliated funds including Elliott Associates, L.P. (“EALP”) and Potter Capital LLC (“Potter”). Founded in 1977, Elliott manages two funds, EALP and Elliott International, L.P., with assets under management of approximately US \$35 billion as at the date of this Letter.

² EALP and Potter currently hold, in aggregate, more than 2.5% of common stock in Mobis, and 2.1% in Kia. Elliott affiliates may now have and/or at any time in the future may, without notice to any person (other than as required by, and in accordance with, applicable laws and regulations), establish long positions (other than the current shareholdings described) or short positions and/or may increase and/or decrease, whether fractionally or fully, the size of any long and/or short positions, in each case in respect of or related to any shares or other equity or debt securities of any member of the Hyundai Motor Group.

structure, and transparent governance structure that received support from both shareholders and the market, HMG has yet to take any substantive steps to address the concerns that continue to burden HMG and its share value.

In light of the significant concerns raised consistently by various market participants, including its shareholders, analysts, and proxy advisors (e.g., ISS and Glass Lewis), HMG decided to withdraw its initial HMG Restructuring Plan on 21 May 2018, and promised to “seek out and accept thoughts and opinions from our shareholders and the market in the development of our updated restructuring plan.” However, we were not offered the opportunity to engage in any productive discussion with HMG with respect to the Restructuring since then.

Given the lack of response at this critical juncture for HMG’s restructuring endeavor, we express our concern as to the Board’s failure to communicate to shareholders its business and corporate restructuring plans. We once again express our willingness to engage in a productive discussion with HMG management and other stakeholders to share our views as a shareholder with substantial experience in improving corporate governance and shareholder value in numerous countries across diverse industries.

Proposal of Restructuring Review Committee

We understand the intricacies in restructuring a group of this magnitude and we remain flexible yet determined to find the structure that would best serve the Company as well as shareholders’ interests. As the first step, we propose that the Company establish a formal and transparent **Restructuring Review Committee**, together with other key companies within the Group, to explore new ways to unwind the circular shareholding structure and ultimately develop a restructuring plan that would best serve HMG and its shareholders. As a part of its review, the Restructuring Review Committee could and should invite shareholders, stakeholders, and professionals to share ideas and contribute experience and expertise – and Elliott would be pleased to participate in the Committee to bring our expertise and share our views. By working together in an open and creative manner without being wedded to a certain ownership structure or types of share transactions as previously envisioned, we are confident that the Company can find the best solution to the complex set of challenges that HMG is currently facing, and with the consensus and support of key stakeholders.

The Restructuring Review Committee can start the review process by closely examining the HMG Restructuring Plan, the reason for the undervaluation, and alternative ways to supplement or modify the Plan so that it reaches the optimal stage for shareholder consideration. More specifically, either as part of the Restructuring Review Committee or otherwise, we hope to see significant improvements in the key areas that we – and the market generally – have identified as fundamental reasons for HMG’s underperformance, including most notably the following issues.

1. Improved Corporate Structure

We believe that shareholders and the various HMG corporate boards and stakeholders can agree on three underlying goals for any successful HMG restructuring: (1) severing the circular shareholdings, and (2) addressing the “affiliated transaction” concerns, while (3) maximizing the efficiency from the corporate governance perspective. The ultimate goal should be to maximize shareholder value of the Company while achieving stabilized corporate structure that can best support HMG’s long-term business strategies.

We believe that we – and any stakeholder for that matter – should be open to alternate structures to achieve these fundamental goals, regardless of the form. We are open to, and indeed have studied, alternate corporate structures for HMG from various perspectives, including ones that do not involve the holding company structure as previously proposed in our Accelerate Hyundai Proposals. One example we have considered involves the following steps:

- Demerger of Mobis into (a) module and core-parts business, and (b) after-sale services business;
- Merger of the module and core-parts business of Mobis with Glovis;
- Merger of the after-sale services business of Mobis with HMC; and
- A series of share transactions to streamline the corporate structure and sever circular shareholdings, including:
 - Strengthening the new parent company’s ownership of the new HMC by, for example, purchasing the new HMC shares from Kia and the Founding Family, and
 - Strengthening the Founding Family’s ownership of the parent company by, for example, purchasing Kia’s shares in the parent company.

The resulting Parent Company of HMG would remain an integral supplier to HMC and Kia with significant domestic and international presence, and actively engage in all critical aspects of HMG’s strategic business endeavours going forward.

2. Optimizing Capital Management and Shareholder Returns

For the past five years, HMC has been overcapitalized, with 17.5% net cash position exceeding the average of 11.1% of its global peers. It has as much as KRW 6 trillion of excess cash as compared to peers, representing 23% of its market capitalization. At the same time, affiliates of HMG including Mobis, HMC and Kia have used its valuable capital to fund many questionable investments, about which analysts and shareholders have voiced significant concerns and sharp criticism.

Based on our review of the publicly available information, HMC’s cumulative amount of the dividendable profit is approximately KRW 44.9 trillion. We propose that HMC improve its balance sheet by implementing clearer shareholder return policies, including immediate actions to address the current and significant overcapitalization by returning excess capital to shareholders via interim/quarterly and annual dividends with respect to FY2018. The current excess capital of HMC’s balance sheet continues to be a drag on returns, which has resulted in a meaningfully depressed return on equity for the Company and its shareholders. Reducing HMC’s excess capital by KRW 6 trillion could uplift its consensus estimated return on equity by as much as 10%.

We would be able to assist HMC and other HMG affiliates to develop more efficient and effective capital management policies and strategies, as well as setting target shareholder returns that are realistic and sustainable in the long run.

3. Further Improvement in the Board Composition with Diversity and Expertise

We continue to believe that HMC along with its other HMG affiliates, would benefit from improving its corporate governance by, for example, adding more directors with exemplary international corporate backgrounds to improve independence of the Board and enhance diversity, while tapping into broader experience in the relevant industry outside Korea. We would be able to discuss and recommend potential candidates who meet these criteria.

Our Commitment to Improve HMG Value

We continue to be open and flexible in discussing and developing better ways to improve HMG value and shareholder return. We confirm our willingness to work with HMG management and its stakeholders to consider different ways to move forward.

On the other hand, we express our frustration as to HMC Board's silence towards our consistent attempts and well placed desire to communicate and advance the restructuring and other projects that are critical to HMG's next phase in this challenging and ever-changing environment.

We are committed to improving HMG's corporate structure and balance sheet to maximize the value of HMC and HMG. To that end, we would be open to additional options and means to communicate more formally with the Board and other shareholders, including:

- Requesting that the Board provide a detailed explanation regarding the review process of the HMG Restructuring Plan to the extent the Board was involved, as well as sharing its view and various factors it considered in, for example, deciding not to be part of the Plan,
- Seeking that the Board share its views on the Company's capital management and potential ways to improve it, such as how various investment decisions are made and what diligence and deliberation are/should be conducted with respect to the transactions that may have material impact on its asset profile,
- Recommending new Board Members in order to further improve the board composition in terms of expertise and diversity, and
- Proposing capital return policies to bring the Company's shareholder returns and balance sheet levels comparable to HMC's and HMG's global peers.

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We believe your demonstration of leadership at this critical time for the Group and its shareholders would bring far-reaching benefits to the value of HMC, helping the HMG earn the shareholder support it needs to achieve future goals, and ultimately lay the foundation for a new successful chapter for the Hyundai Motor Group.

Most sincerely,

James Smith, Managing Director

Elliott Advisors (HK) Limited