



# Analysis of Hyundai Motor Group – Summary of Findings

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Presented to Elliott Advisors (HK) Limited

October 29, 2018

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Definition	Term
Hyundai Motor Group	“HMG”, “Hyundai”
Hyundai Motor Company	“HMC”, “Hyundai Motor”, “Hyundai”
Hyundai Mobis Co., Ltd.	“Hyundai Mobis”, “Mobis”
A Defined Set of Comparable Companies	“Peer Group”, “Peers”
The Average of A Defined Set of Comparable Companies	“Peer Average”
Hyundai Motor Company Comparable Companies / Original Equipment Manufacturer	“OEM”, “OEMs”
Hyundai Mobis Comparable Companies	“Supplier”, “Suppliers”
Capital Expenditures	“Capex”
Free Cash Flow	“FCF”
Market Capitalization	“Market Cap”
Selling, General & Administrative Expenses	“SG&A”
Plant, Property & Equipment	“PPE”
Year-over-Year	“YoY”
Projected	“P”
Fiscal	“F”
Compound Annual Growth Rate	“CAGR”
United States Dollar	“USD”
Korean Won	“KRW”
Million	“MM”
Billion	“Bn”
Trillion	“Tn”
Cash and cash equivalents	“Cash”

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## I | Executive Summary

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**CONWAY MACKENZIE ANALYZES CAPITAL STRUCTURE AND COMMENTS ON POTENTIAL ENHANCEMENTS TO HMG**

Elliott Advisors engaged Conway MacKenzie, a leading Detroit-based advisory firm with a deep history of servicing the automotive industry, to review the capital structure and capital allocation of the Hyundai Motor Group (“HMG”). This presentation includes a specific focus on Hyundai Motor Company and Hyundai Mobis and explores possible alternatives to optimize the capital structure based on our findings.

**OUR INITIAL FINDINGS CONFIRM MANY INVESTORS CONCERNS**

<b>OVERCAPITALIZED BALANCE SHEET</b>	<b>+</b>	<b>QUESTIONABLE USE OF CASH FLOW</b>	<b>+</b>	<b>POTENTIAL KRW 13+ TRILLION OF EXCESS CAPITAL</b>	<b>  </b>	<b>PRELIMINARY RECOMMENDATIONS</b>
<p>HMC and Mobis currently maintain an inefficient and bloated capital structure</p> <ul style="list-style-type: none"> <li>Excessive capital is trapped on the balance sheet</li> <li>Cash and equivalents relative to target metrics are substantially higher than peers</li> <li>Non-operating assets tie up significant amounts of capital in businesses with questionable synergies</li> <li>Investors appear to ascribe little value to assets on the balance sheet</li> </ul>		<p>A detailed analysis of cash flow reveals suboptimal capital allocation trends</p> <ul style="list-style-type: none"> <li>Research &amp; development and capital expenditures below industry average</li> <li>Historical shareholder returns are well below industry standards and have only moderately improved</li> <li>Multiple capital investments lacking strategic rationale                             <ul style="list-style-type: none"> <li>Negative impact on stock performance</li> </ul> </li> </ul>		<p>Even with prudent cash reserves and the recent warranty provisioning by HMC, excess capital exists that could be returned to shareholders</p> <ul style="list-style-type: none"> <li>Using peer metrics as a gauge to determine appropriate cash levels, HMC has excess capital ranging from KRW 8Tn to 10Tn and Mobis has excess capital ranging from KRW 4Tn to 6Tn</li> <li>Downside scenario analysis demonstrates HMC and Mobis could weather a three-year downturn and still have KRW 8Tn and KRW 5Tn in excess cash, respectively</li> <li>Based on the analyses of excess cash, we believe the KRW 13Tn excess from the downside case is well supported and should be used to enhance shareholder value</li> </ul>		<p>Based on our findings, we propose the following potential action items:</p> <ul style="list-style-type: none"> <li>Right-size balance sheets by returning at least KRW 13Tn of excess cash through buybacks</li> <li>Adjust go-forward capital return policy to return at least 50% of FCF to shareholders</li> <li>Improve cash flow reporting – standardize cash flow from operations</li> <li>Consider divestiture of non-core assets with proceeds returned to shareholders</li> <li>Focus future investment strategy on accretive acquisitions</li> </ul>



## II | Situation Overview

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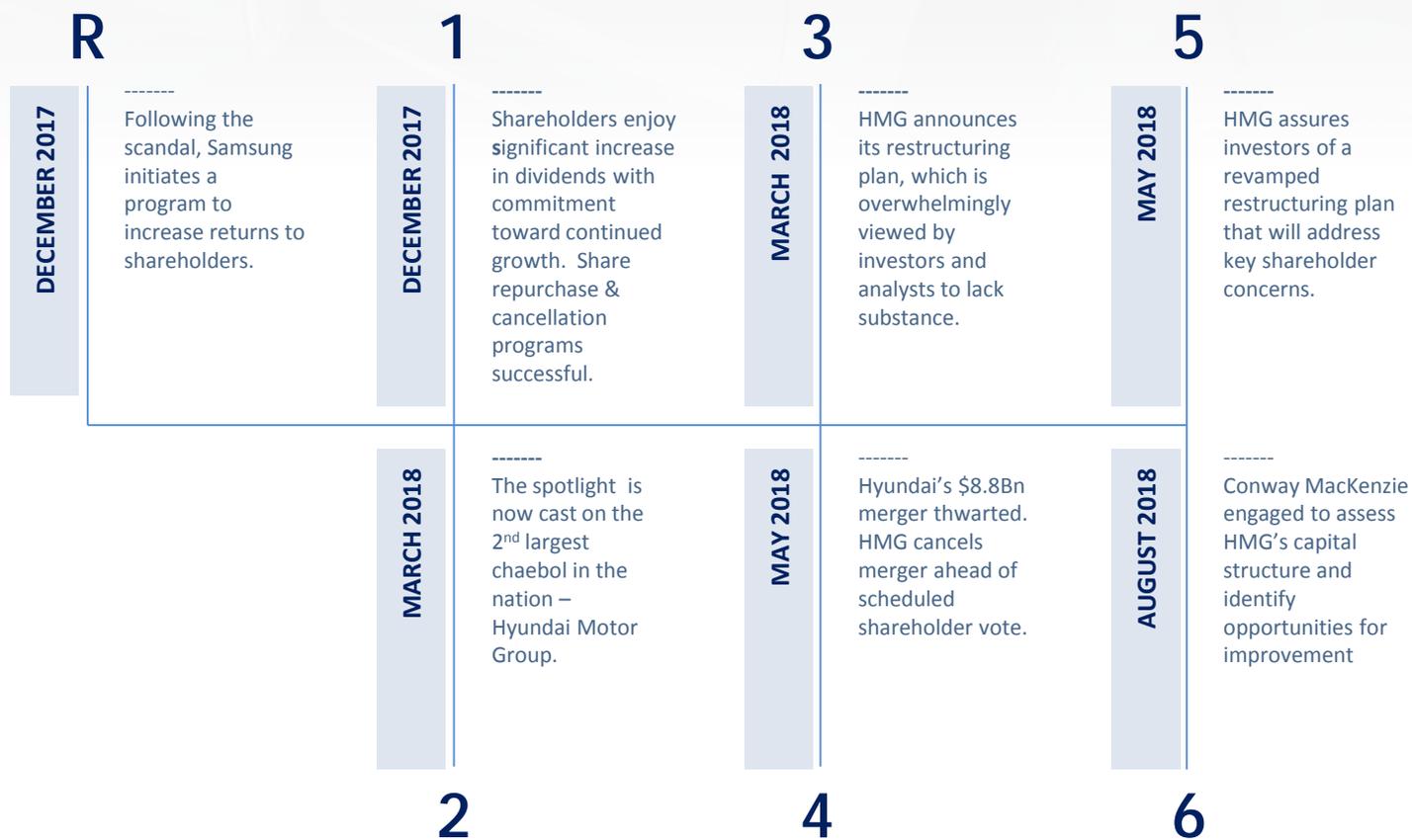
# SITUATION OVERVIEW

Investors seek to increase shareholder value in a poorly governed market



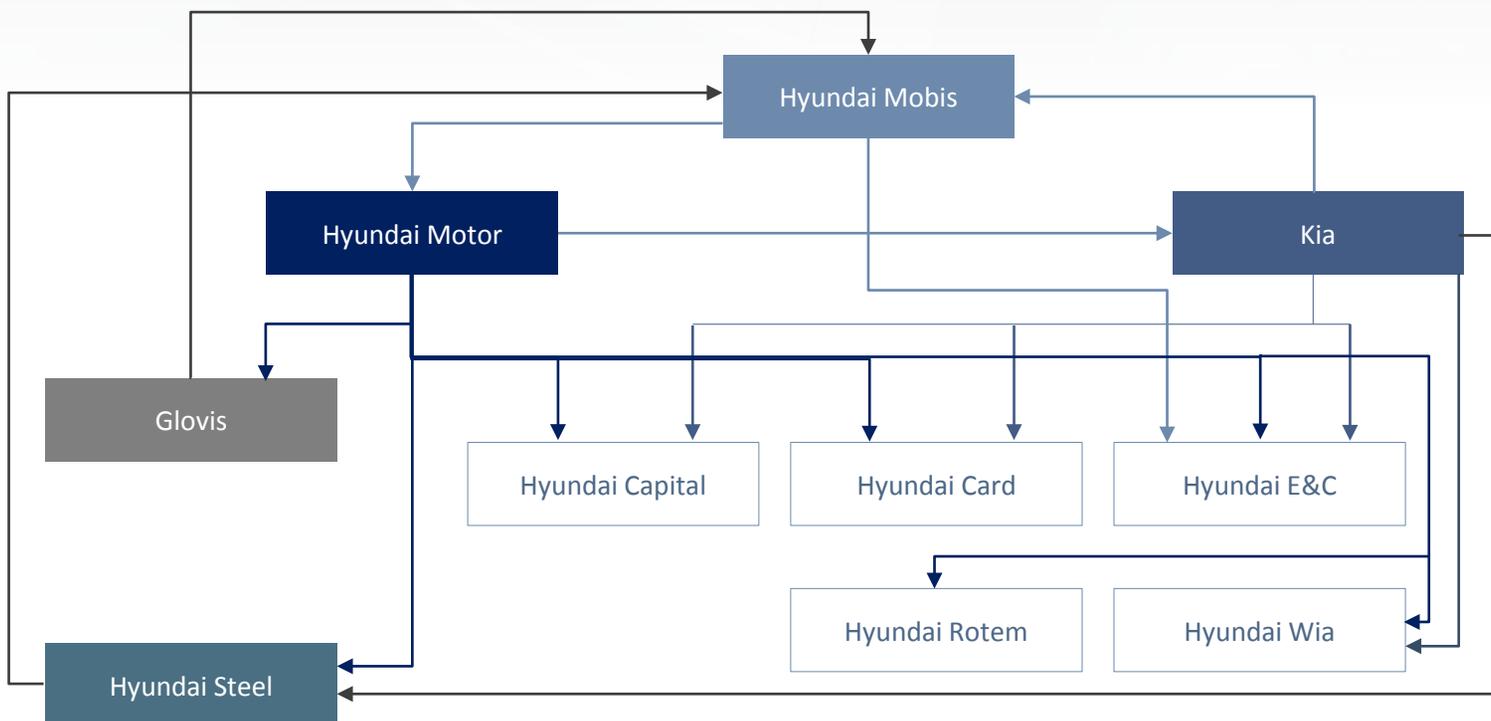
## OPPORTUNITY FOR VALUE CREATION EXISTS FOLLOWING CHAEBOL REFORM

Korean chaebols have long been criticized for their overly complex ownership structures lacking in proper corporate governance. The largest of the local conglomerates – Samsung – was at the center of a bribery scandal that resulted in the President’s impeachment and imprisonment. Korean politics shifted as the new administration committed to chaebol reform.



### HYUNDAI MOTOR GROUP ENCOMPASSES MULTIPLE AFFILIATES, INTERTWINED IN AN INTRICATE ORGANIZATIONAL STRUCTURE

Hyundai Motor Group, partially comprised of Hyundai Motor Company and Hyundai Mobis Co., Ltd., leads the automotive industry as the fourth largest auto maker in the world; Mobis is the 7<sup>th</sup> largest auto parts supplier in the world and plays an integral role in the HMG structure. Founded in 1967, Hyundai has expanded its operations beyond Korea to multiple dominant markets – US, Europe, China. Its global footprint continues to develop rapidly in other markets – Russia, India, and Brazil. Renowned for its quality and craftsmanship appealing to both the mass market and the luxury segment, HMG has attained significant growth over the past two decades.



While its position is recognized and respected, underperformance in recent years has caused growing investor concern regarding substandard corporate governance, a complex organizational structure, and decreased shareholder returns.

Source: Company reports



## III | Our Approach

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### CONWAY MACKENZIE ENGAGED TO ASSESS BALANCE SHEET AND CASH FLOW

Four correlating work streams drove our analysis.

FINANCIAL ANALYSIS – INDUSTRY INSIGHT – EXPERT PERSPECTIVE				
WORK STREAM	1	2	3	4
	Capital Structure	Cash Flow Allocation	Capital Management	Excess Cash Balance
	Review HMC and Mobis financial statements and perform analyses to determine existence / extent of overcapitalization	Analyze HMC and Mobis historical and current cash flow to identify sources and uses of cash	Evaluate capital management and investment decisions to ascertain value proposition to both HMG and its shareholders	Conduct analyses to determine amount of excess cash held by HMC and Mobis
	<ul style="list-style-type: none"> <li>Identify and include complete set of comparable companies known as “peer group”</li> <li>Collect and clean data for each company to enable comparability across HMG and the peer group</li> </ul>		<ul style="list-style-type: none"> <li>Identify non-core investments</li> <li>Compare M&amp;A activity to peers</li> <li>Review impact on stock performance</li> </ul>	<ul style="list-style-type: none"> <li>Calculate cash balances using peer benchmarking</li> <li>Determine minimum cash required to withstand a three-year downturn</li> </ul>
PRELIMINARY RECOMMENDATIONS FOR HMG MANAGEMENT CONSIDERATION				



## IV | Capital Structure Analysis

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Depressed Returns Due to Significantly Bloated Balance Sheet

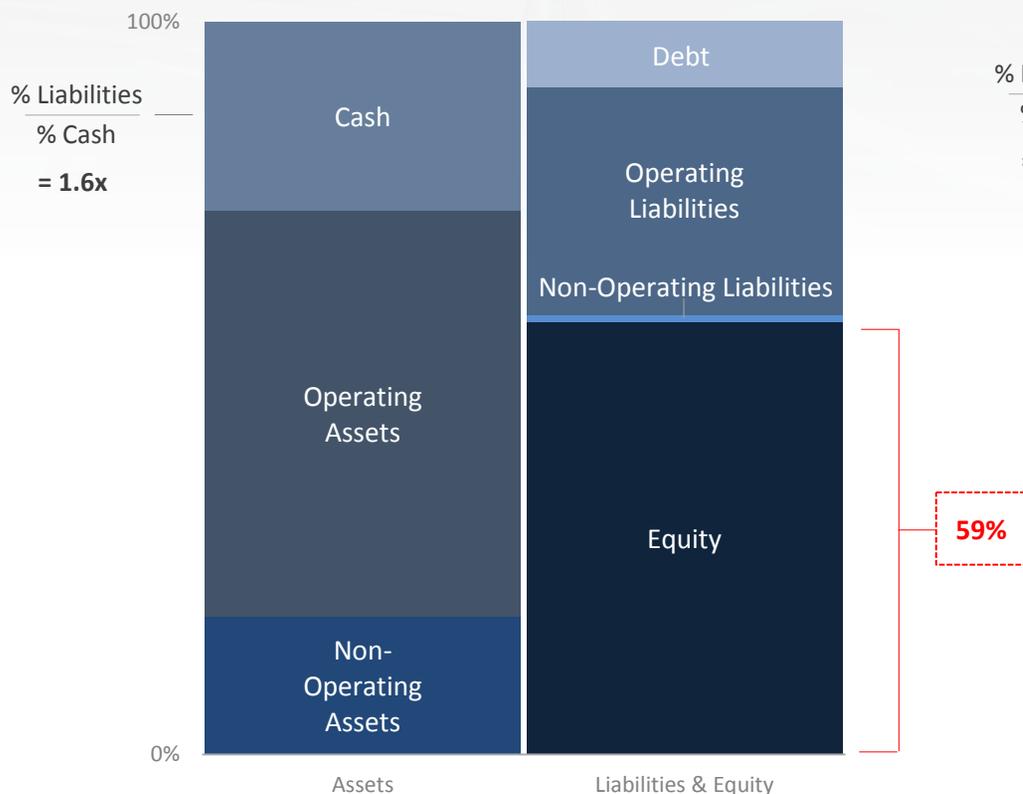
# 1 CAPITAL STRUCTURE

## Balance Sheet vs. Peers – Hyundai Motor Company

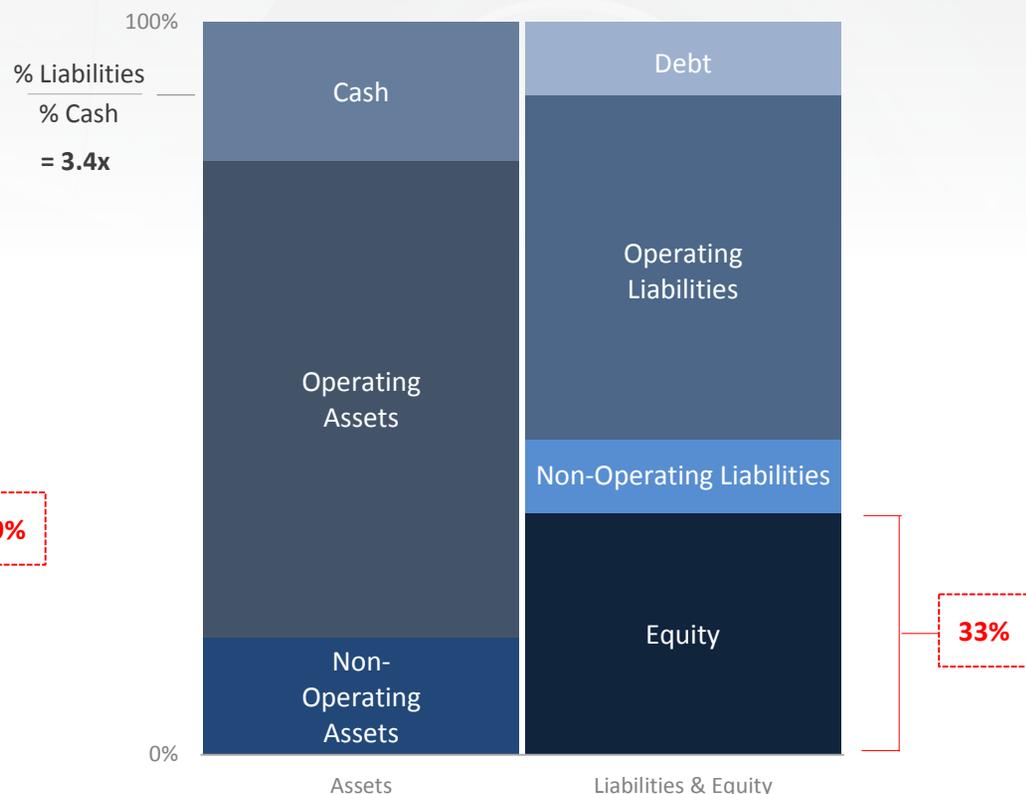


### INEFFECTIVE AND INEFFICIENT USE OF CASH COMES AT THE EXPENSE OF EQUITY HOLDERS

2017 HMC Balance Sheet Composition



2017 Peer Average Balance Sheet Composition



### BLOATED BALANCE SHEET LEADS TO SUBOPTIMAL RETURNS ON CAPITAL

Return on Invested Capital	F2013	F2014	F2015	F2016	F2017
Hyundai Motor Company	14%	10%	8%	5%	4%
Peer Average	11%	6%	12%	13%	13%

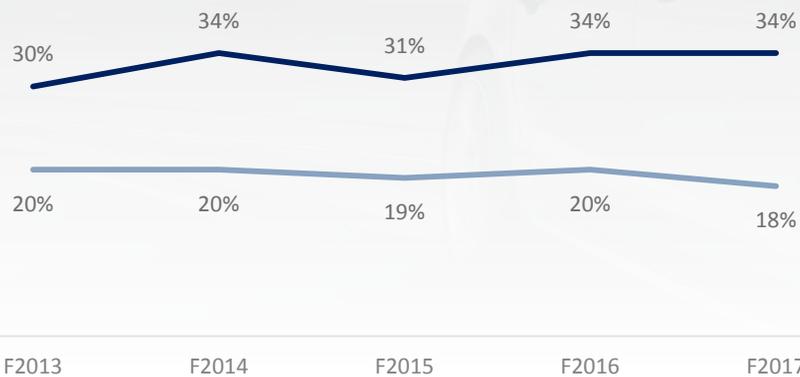
Notes: Balance sheet and ROIC metrics exclude the financing business. See Appendix for CM definition of ROIC  
Sources: S&P Capital IQ, company reports, CM analysis

# 1 CAPITAL STRUCTURE

HMC consistently demonstrates suboptimal management of cash

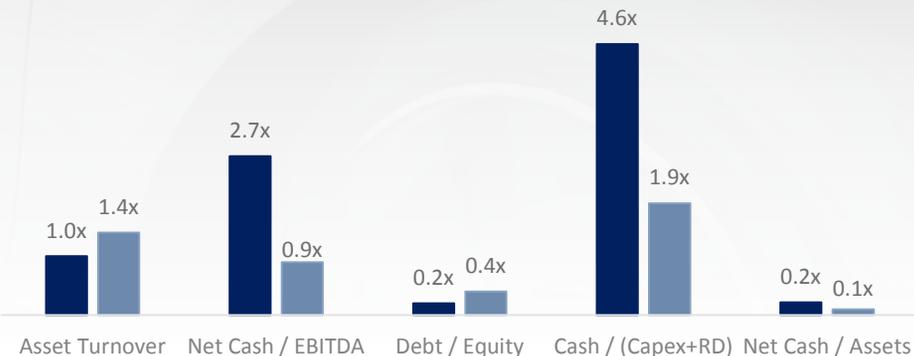


Cash Balance as a % of Revenue



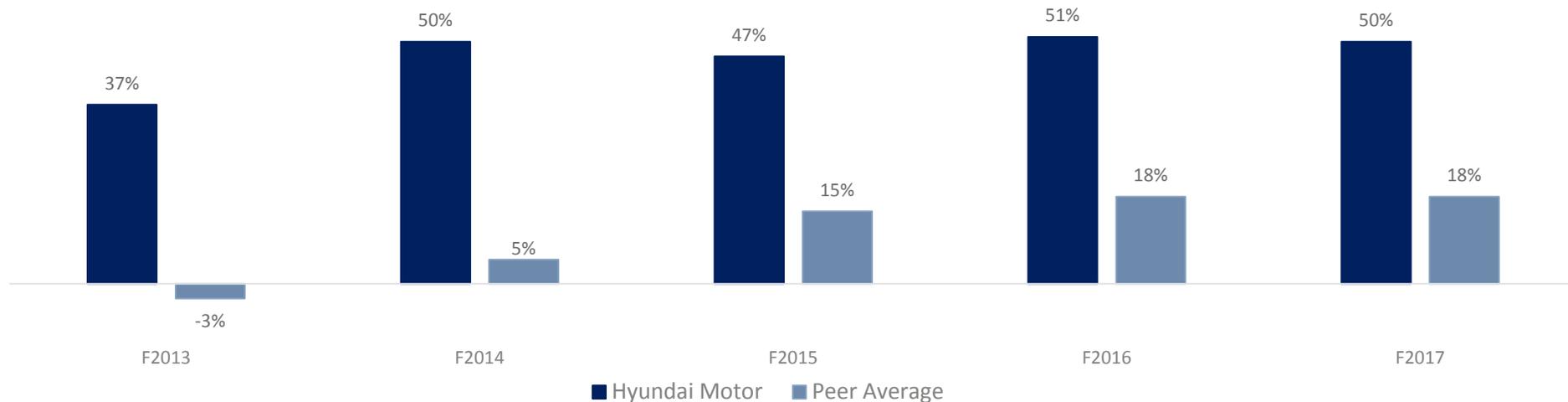
- HMC cash as a % of revenue, having exceeded the peer average over the past five years, continues to increase from a 10% spread in 2013 to 16% (KRW 12Tn) spread in 2017

2017 Key Financial Indicators



- HMC is not making efficient use of their assets and is overcapitalized in relation to peers

Net Cash as a % of Market Capitalization



- A high proportion of the Company's market cap is in cash, implying investors are not ascribing full value to the assets on the balance sheet and lack confidence in HMC's ability to create value from its cash

Sources: S&P Capital IQ, company reports, CM analysis  
 Cash balance = gross cash; unless net cash specifically noted  
 Intercompany loans excluded from net cash

# 1 CAPITAL STRUCTURE

## Balance Sheet vs. Peers – Hyundai Mobis



**NON-OPERATING ASSETS & EQUITY OCCUPY SPACE ON THE BALANCE SHEET WHERE VALUE & CHEAPER CAPITAL COULD STAND**

**2017 Mobis Balance Sheet Composition**



**2017 Peer Average Balance Sheet Composition**



**SIMILAR TO HMC, INCREASED BLOATING OF BALANCE SHEET DRIVING DECREASED RETURNS ON CAPITAL**

Return on Invested Capital	F2013	F2014	F2015	F2016	F2017
Hyundai Mobis	13%	18%	12%	11%	7%
Peer Average	12%	12%	12%	12%	10%

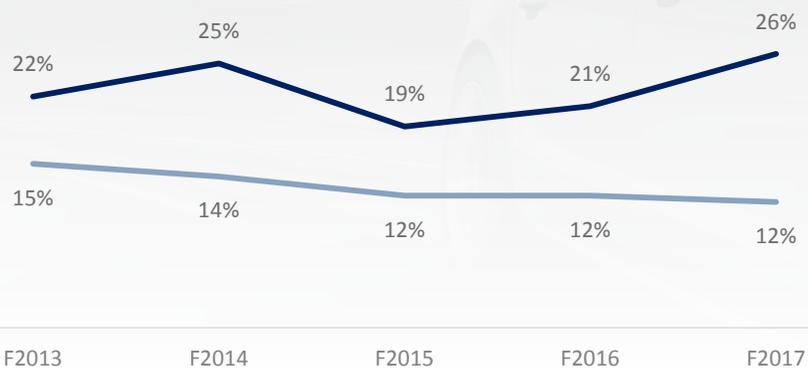
Notes: See Appendix for CM definition of ROIC  
Sources: S&P Capital IQ, company reports, CM analysis

# 1 CAPITAL STRUCTURE

Mobis also shares the same narrative of suboptimal management of cash



Cash Balance as a % of Revenue



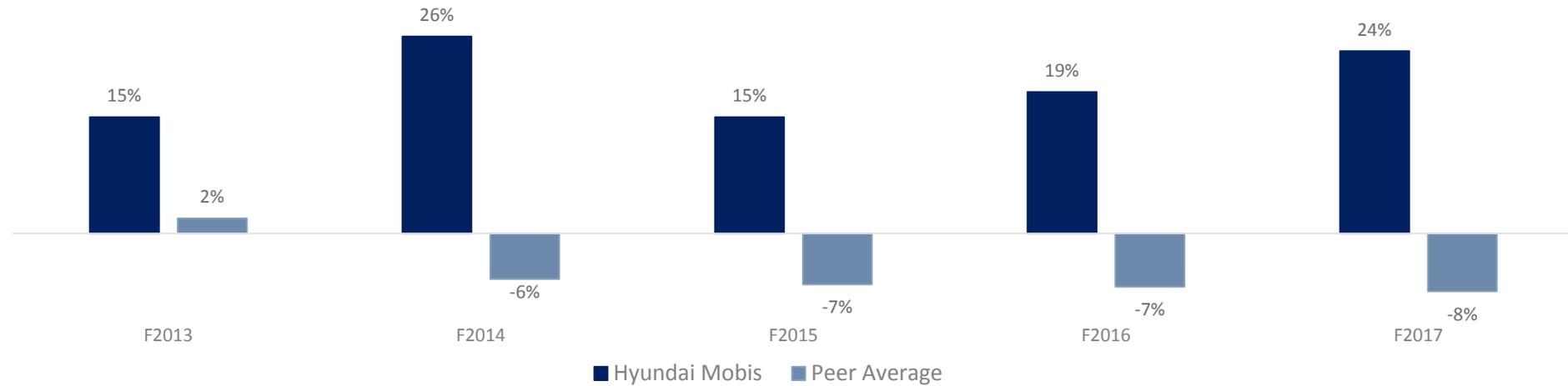
2017 Key Financial Indicators



- Applying the peer average % of cash to Mobis’s revenue indicates Mobis’s excess cash has grown from KRW 1.9Tn to KRW 4.6Tn over the last 5 years, a 24% CAGR

- The majority of Mobis’s peers are utilizing debt vs. cash and equity to fund operations, capex and R&D – evidence that Mobis is overcapitalized

Net Cash as a % of Market Capitalization



- Mobis carries significantly more cash as a % of market cap compared to its peers. The fact that peers can operate successfully in a net debt position indicates that Mobis has excess cash on hand

Sources: S&P Capital IQ, company reports, CM analysis  
Cash balance = gross cash, unless net cash specifically noted



## V | Cash Flow Allocation

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### Questionable Uses of Cash Flow

## 2 CASH FLOW ALLOCATION

Conway MacKenzie's analysis brings transparency to cash flows



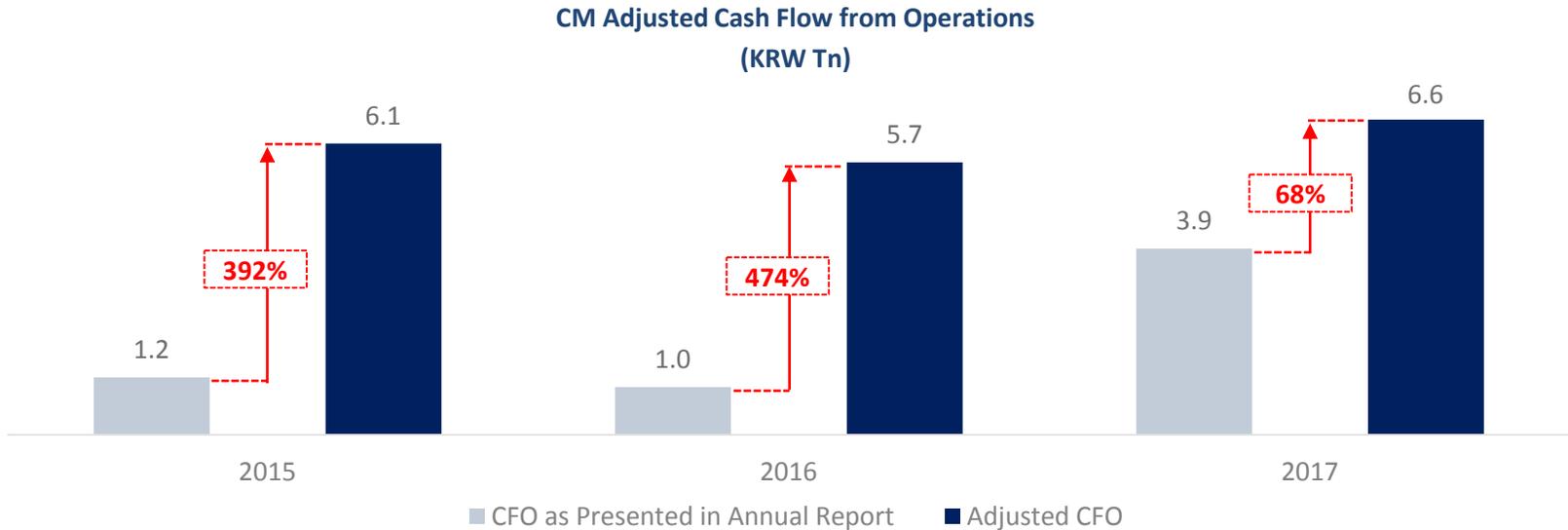
### HMC'S CASH FLOW STATEMENT LACKS SEGMENTATION, RESULTING IN A DISTORTED VIEW OF THE SOURCES AND USES OF CASH

- HMC currently does not isolate cash flow from the automotive manufacturing business versus the financing business like nearly all other OEMs
- HMC currently reports the working capital changes from the financing business as cash from operations, whereas most other OEMs report it under cash flow from investing

### CONWAY MACKENZIE REORGANIZED THE CASH FLOW STATEMENT TO SEPARATE FINANCING CASH FLOWS AND ADJUST FOR REPORTING DIFFERENCES

- In addition to the financing-related adjustments, the treatment of research & development expenditure was leveled across the peer group by assuming all capitalized development costs are expensed as incurred
- Conway MacKenzie's estimate of cash flow from operations is a more accurate reflection of HMC's cash from operating activities, enabling a more transparent comparison on how HMC allocates its cash

### CASH FLOW FROM OPERATIONS ("CFO") DIFFERS CONSIDERABLY FROM ITS ORIGINAL PRESENTATION AFTER ADJUSTMENTS



Notes: Additional detail of the adjustments can be found in the Appendix  
Sources: S&P Capital IQ, company reports, CM analysis

# 2 CASH FLOW ALLOCATION

## Tracing HMC's Use of Cash

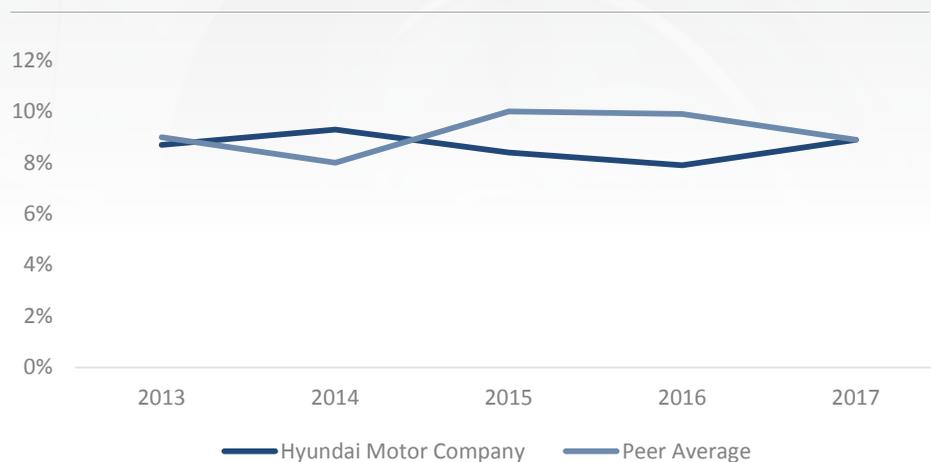


### HMC CONTINUES TO LAG ITS PEERS WHEN COMPARING KEY CASH FLOW METRICS

Although HMC generates the same level of cash from operations as a % of revenue, lower capital returns and R&D expenditure has allowed the build up of excess cash and non-operating assets on the balance sheet.

- Both HMC and the peer group generate ~9% of cash from operations as a % of revenue
- HMC perpetually spends less than peers on research & development as a % of revenue
- Over the past five years 51% of cash from operations has remained on the balance sheet as cash, other financial assets, or questionable investments (e.g., KEPCO land purchase)
  - In comparison, the peer group has accumulated only 13% of operating cash flow on the balance sheet in similar categories

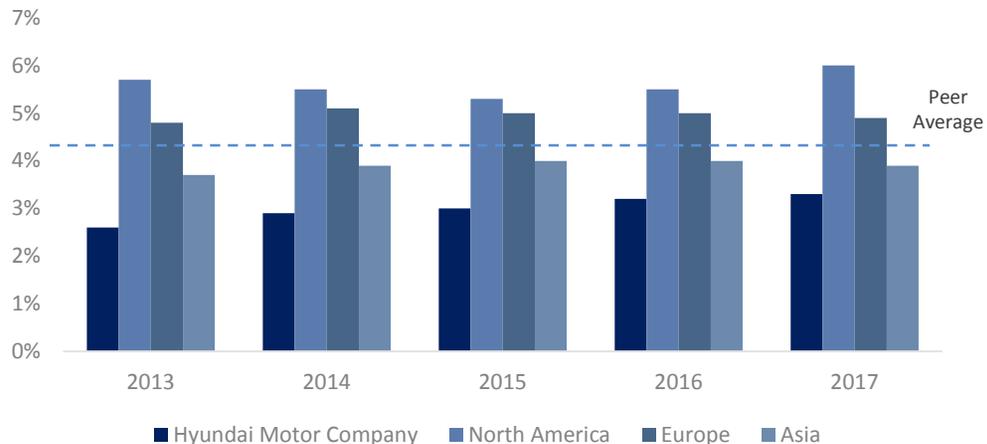
Cash Flow from Operations as a % of Revenue



Allocation of Cash from Operations from 2013-2017



R&D as a % of Revenue



Sources: S&P Capital IQ, company reports, CM analysis

Notes: Cash from operations as adjusted by Conway MacKenzie (see appendix p.41); Capex excludes HMC's portion of KEPCO land purchase

Increase in Cash + Questionable investments = increase in cash + marketable securities + other financial assets + HMC's portion of KEPCO land purchase

R&D = expensed research costs + newly capitalized development costs – amortized development costs

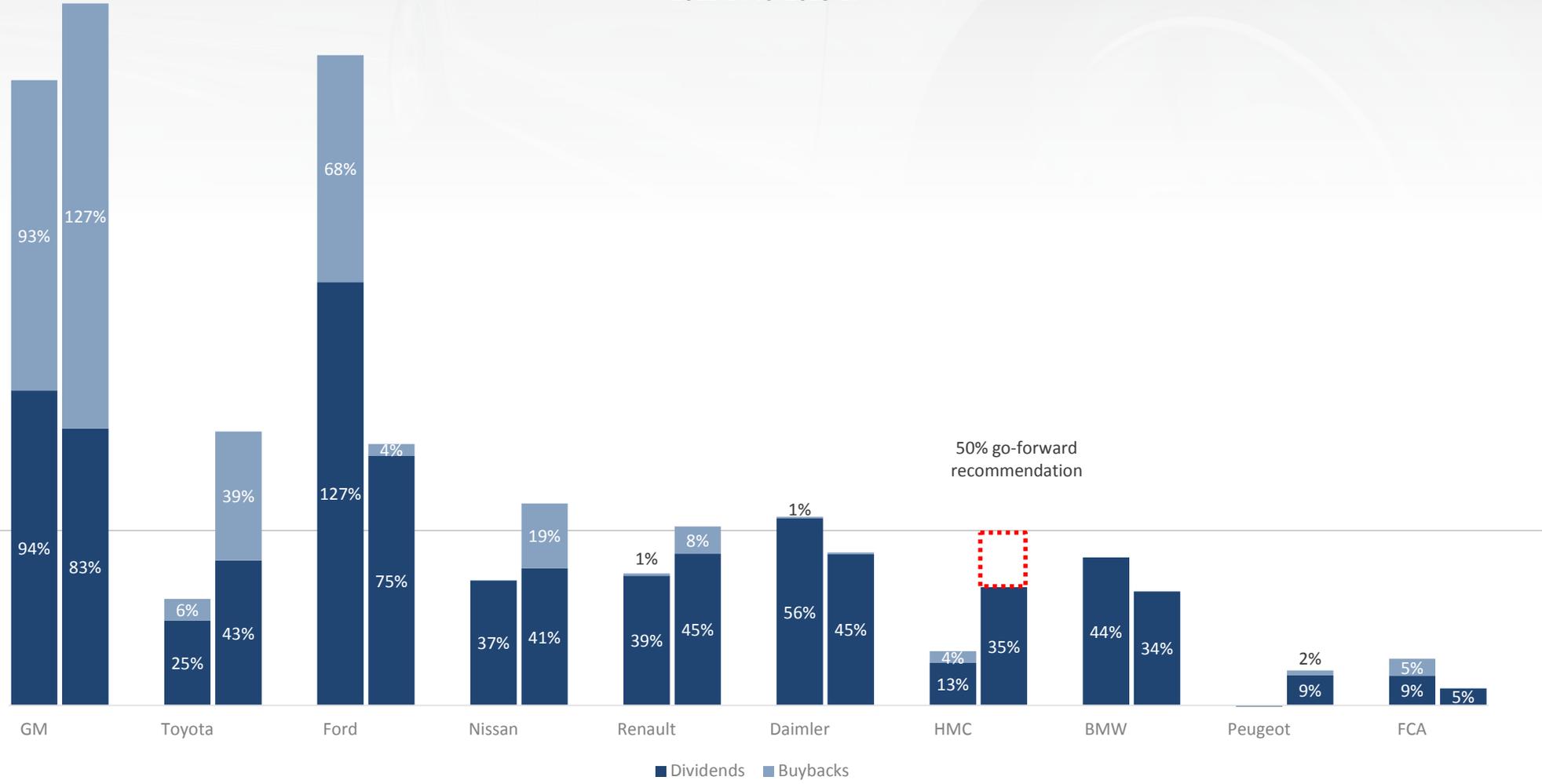
## 2 CASH FLOW ALLOCATION

### Examining Shareholder Returns – Hyundai Motor



OEMs HAVE FOCUSED ON RETURNING CAPITAL TO SHAREHOLDERS; HMC'S HISTORICALLY LOW CAPITAL RETURNS ARE IMPROVING BUT STILL BELOW PEERS

Capital Return as a % of Free Cash Flow  
2012-14 vs. 2015-17



Source: S&P Capital IQ, Data as of 21 August 2018

Notes: 50% average dividend return as % of FCF is a go-forward recommendation, exclusive of one-time capital return recommendation  
Free cash flow defined as CM adjusted automotive cash from operations less automotive related capital expenditures; HMC and Mobis capital expenditures adjusted to remove land purchase  
Excluded Peugeot prior to 2015 due to negative earnings; excluded Volkswagen due to abnormal impact related to the 2015 Diesel Issue

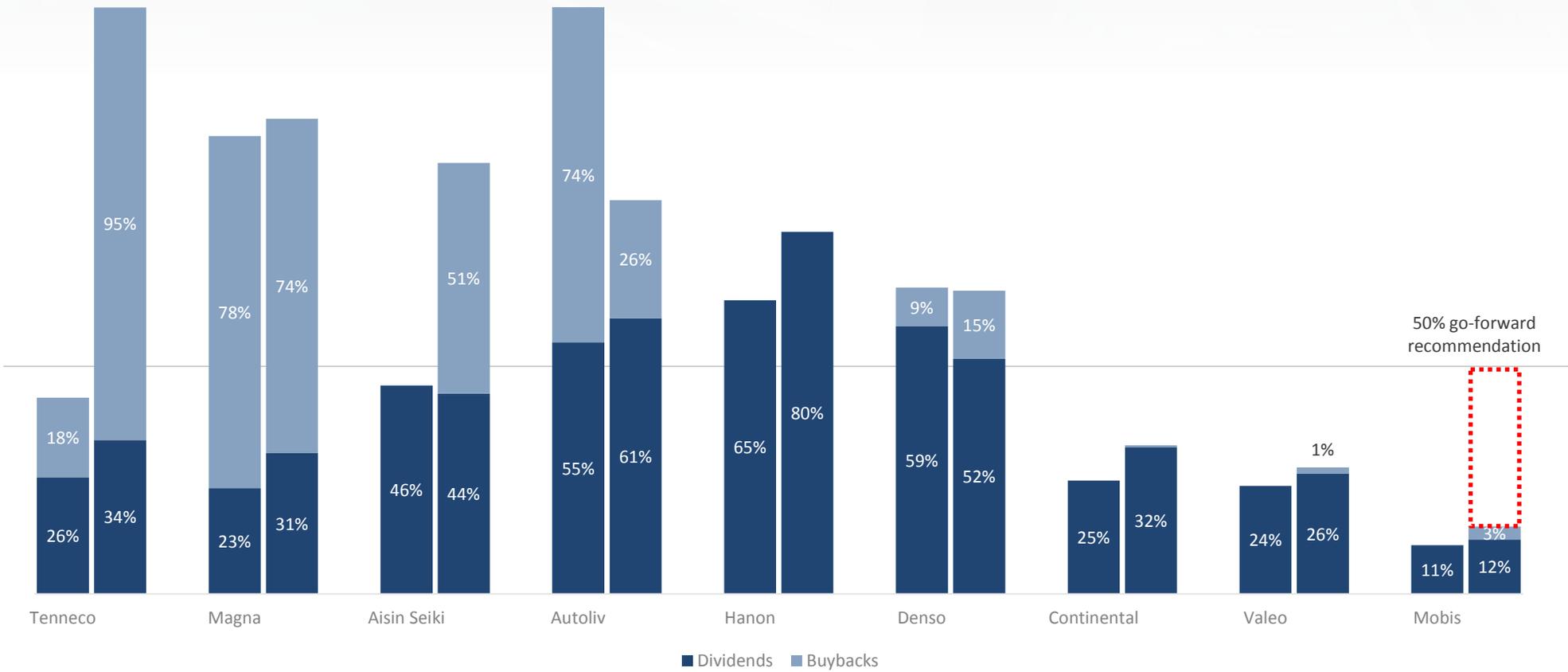
## 2 CASH FLOW ALLOCATION

### Examining Shareholder Returns – Hyundai Mobis



SUPPLIERS HAVE MAINTAINED OR INCREASED RETURN ON CAPITAL; MOBIS REMAINS DEFICIENT

Capital Return as a % of Free Cash Flow  
2012-14 vs. 2015-17



50% go-forward recommendation

Source: S&P Capital IQ, Data as of 21 August 2018

Notes: Free cash flow defined as CM adjusted automotive cash from operations less automotive related capital expenditures; HMC and Mobis capital expenditures adjusted to remove land purchase  
Excluded Mando due to negative FCF

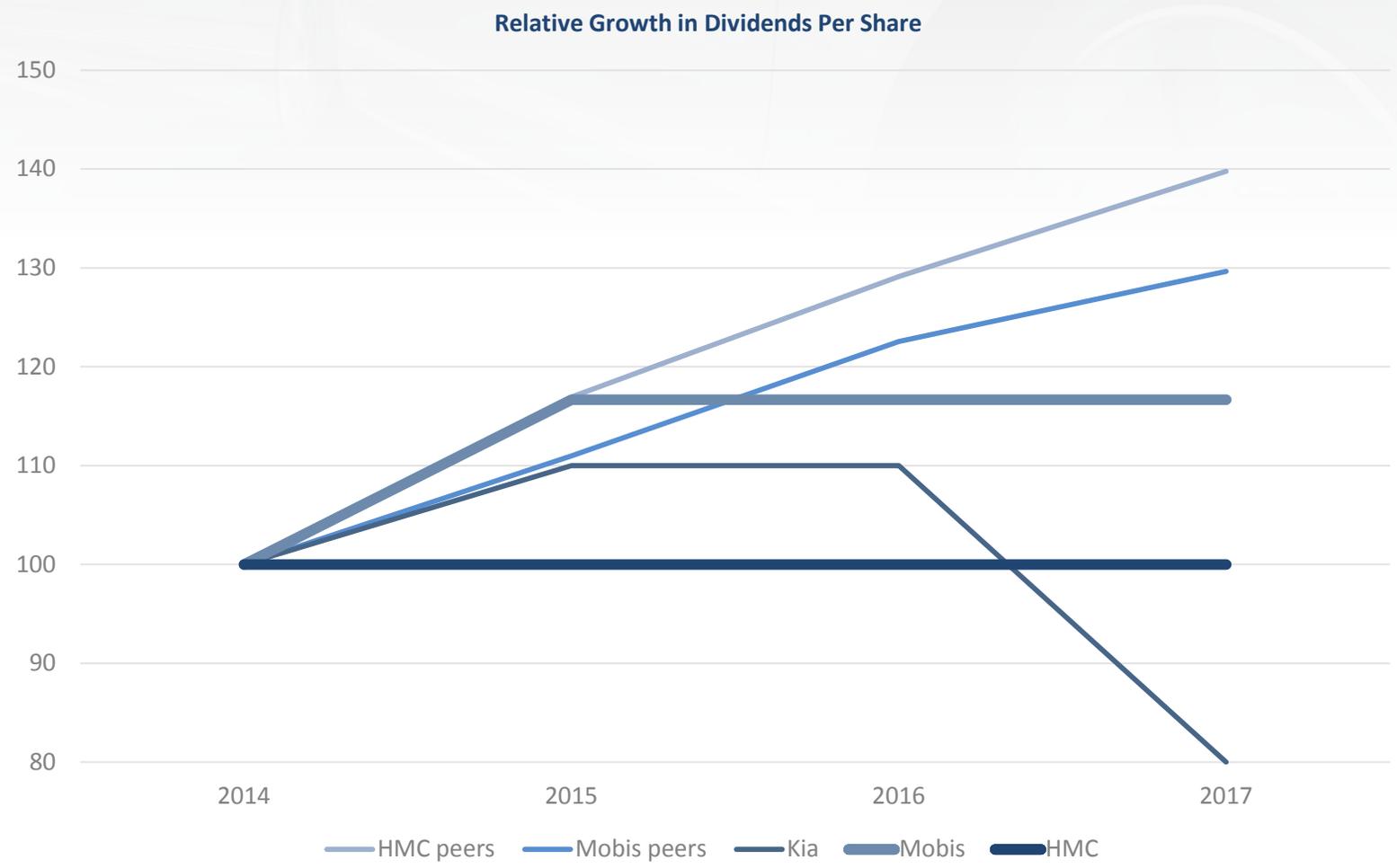
## 2 CASH FLOW ALLOCATION

### Dividends Per Share



#### PEER DPS AVERAGES ARE STRONG AND CONTINUE TO INCREASE WHILE HMC & MOBIS TRAIL BEHIND

Dividends per share has remained flat for HMC; Mobis increased from 2014 to 2015 but remains below peers.



Source: S&P Capital IQ  
Dividend per share indexed to 100 as of 2014



## VI | Capital Management Review

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Hindering Shareholder Value

### 3 CAPITAL MANAGEMENT

## Qualitative review of investments reveals questionable decisions



#### HMG MAKES SIZEABLE CAPITAL INVESTMENT DECISIONS LACKING STRONG RATIONALE

Investor concern regarding the hindrance of value is evidenced by the questionable capital decisions made over the years. Examples include:

	Extravagant Land Purchase	Affiliate Purchase	Life Insurance Company Acquisition	Hotel Property Acquisition
Description	<ul style="list-style-type: none"> <li>\$10Bn purchase of land for new HQ in Gangnam District of Seoul</li> </ul>	<ul style="list-style-type: none"> <li>\$4.5Bn purchase of Hyundai Engineering &amp; Construction</li> </ul>	<ul style="list-style-type: none"> <li>\$190MM acquisition of 59% stake in Green Cross Life</li> <li>No further funding expected; Hyundai Life will become a subsidiary of Fubon Life</li> </ul>	<ul style="list-style-type: none"> <li>\$99MM purchase of Haevichi Hotel &amp; Resort located on Jeju Island off the Korean coast</li> </ul>
Investor Concerns	<ul style="list-style-type: none"> <li>Total paid for the land is more than triple the valuation</li> <li>An additional \$5-10Bn estimated cost for construction</li> </ul>	<ul style="list-style-type: none"> <li>Purchased at a 58% premium to share price</li> <li>An existing engineering &amp; construction affiliate is already included in HMG</li> </ul>	<ul style="list-style-type: none"> <li>Life insurance is not a core competency for HMG</li> <li>Profitability yet to be seen</li> </ul>	<ul style="list-style-type: none"> <li>Hotel properties are not a core competency for HMG</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Rivalry with Samsung potentially drove the bid price to extraordinary amount</li> </ul>	<ul style="list-style-type: none"> <li>The bidding war carried on between closely related family members</li> </ul>	<ul style="list-style-type: none"> <li>An attempt by Hyundai to enter territory unrelated to the automotive industry</li> </ul>	<ul style="list-style-type: none"> <li>Hyundai entering unknown territory unrelated to the automotive industry</li> </ul>

Source: S&P Capital IQ, Company reports, public domain

Notes: Mobis is not expected to participate in further funding round with Fubon Life; Hyundai Life thus expected to become a subsidiary of Fubon Life and renamed as Fubon Hyundai Life

### 3 CAPITAL MANAGEMENT

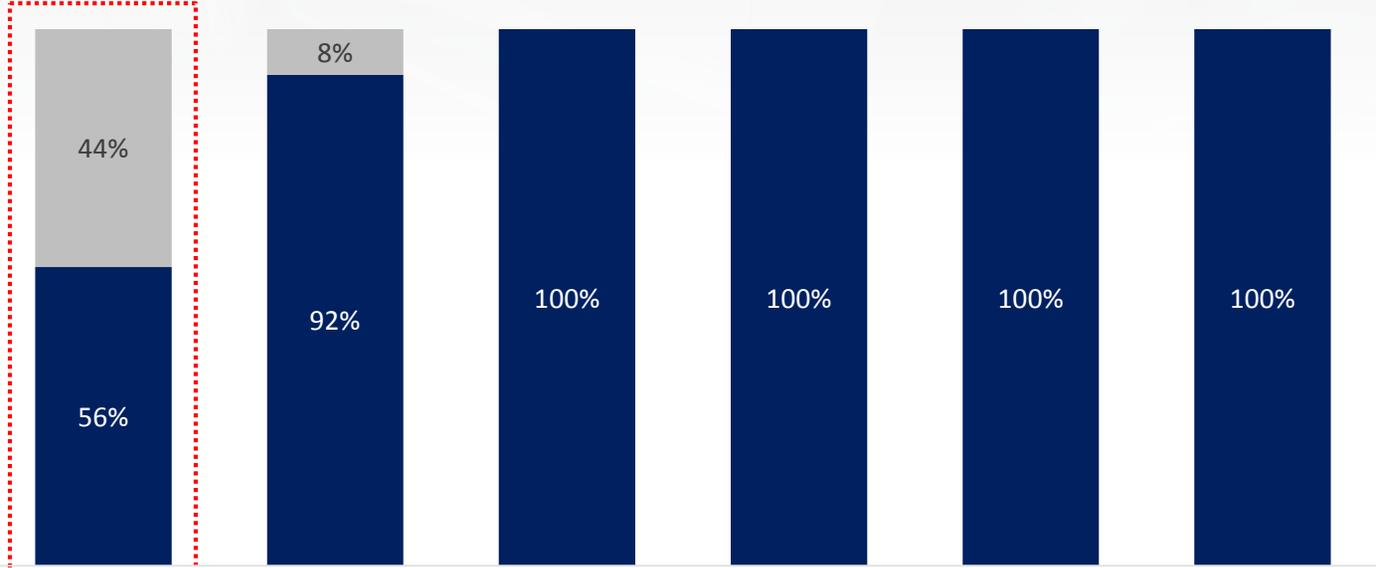
## Mergers & Acquisitions and Private Placements – HMC & Peers



#### HMC ALLOCATED ALMOST HALF OF ITS M&A AND PRIVATE PLACEMENT DOLLARS TO NON-CORE PLAYS

While Toyota, Nissan, Ford, GM, and Volkswagen have been focusing their investments on core strategies, Hyundai participated in \$4.7Bn of investments in industries that are irrelevant to the automotive scope (including advertising, hotel properties, and life insurance companies).

Mergers & Acquisitions / Private Placements Since 2008



	HMC	Toyota	Nissan	Ford	GM	Volkswagen
<i>in \$ MM</i>						
<b>Core Assets</b>	<b>\$5,911</b>	<b>\$14,940</b>	<b>\$3,684</b>	<b>\$2,461</b>	<b>\$5,659</b>	<b>\$41,012</b>
<b>Non-Core Assets</b>	<b>\$4,701</b>	<b>\$1,383</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>\$10,612</b>	<b>\$16,323</b>	<b>\$3,684</b>	<b>\$2,461</b>	<b>\$5,659</b>	<b>\$41,012</b>

Source: S&P Capital IQ, Data as of 21 August 2018  
 Notes: Data represents buy-side transactions for the past 10 years only.  
 Core is defined as a transaction that is automotive-related; non-core is non-automotive. Non-Core Assets for HMC excludes \$10Bn land purchase.  
 \$ amounts are indicative of estimated total aggregate value of new money raised through private placement rounds and/or the size of the transaction.

### 3 CAPITAL MANAGEMENT

The \$10Bn land purchase in Gangnam shocked investors and industry experts



#### HYUNDAI AND SAMSUNG RIVALRY CONTINUES

After losing to Samsung in a land auction in 2007, Hyundai ensured its victory this time around in the 2014 KEPCO sale by overbidding more than 3 times the appraised value. With plans to construct headquarters, a hotel, convention center, and a theme park, Hyundai is spending its cash on uncharacteristic expenditures for an automotive company. Even Forbes’s top companies have spent drastically less than Hyundai on their headquarters.

Total \$ MM Spent on Land for Headquarters

Fortune Top 5 Companies	Price (Land)	Price (Construction)	Total Approximate Price	Sq. Ft.
Wal-Mart	\$37	\$1,000 (estimated)	\$1,037	1,350,000
ExxonMobil	n/a	\$1,200 (estimated)	\$1,200	3,500,000
General Motors	n/a	\$626	\$626	5,552,000
Apple	\$160	\$5,000	\$5,160	2,800,000
Microsoft	n/a	\$1,000	\$1,000	3,100,000
<b>Hyundai</b>	<b>\$10,000</b>	<b>\$5,000 to \$10,000 (estimated)</b>	<b>\$15,000 - \$20,000</b>	<b>854,030</b>

#### THE DEAL ELICITED SCATHING REACTIONS AND CRITIQUES FROM THE MEDIA:

“The deal is “an embarrassment to Hyundai Motor’s management team,” Knut Gezelius, a money manager at Skagen, said by phone from Norway on Oct. 31. “We’ve made it very clear that we disagree with the decision and we expect to see much better corporate governance and use of shareholder money going forward.”

Bloomberg, 3 November 2014

“This deal is going to take a huge chunk out of Hyundai’s vault, and dipping their hands into a cash stash that could have otherwise been used for higher dividend payouts and R&D is going to aggravate many investors, especially foreigners,” said Ko Tae-bong, auto analyst at HI Investment & Securities.

Business News, 17 September 2014

“There's nothing investors can benefit from the company's purchase of the land,” said Hong Jin-ho, an analyst at IBK Securities. “With that money, Hyundai could have built almost 10 car-manufacturing plants. The cash should have been used as dividend payouts or R&D investment.”

WSJ, 18 September 2014

“This case showed the problems and the vulnerability of corporate-governance structure,” said Chae Yi Bai, a researcher at the Center for Good Corporate Governance. “There was no going back for Hyundai once Chairman Chung said he wanted the property, regardless of the opposition from the general public & investors.”

Bloomberg, 26 September 2014

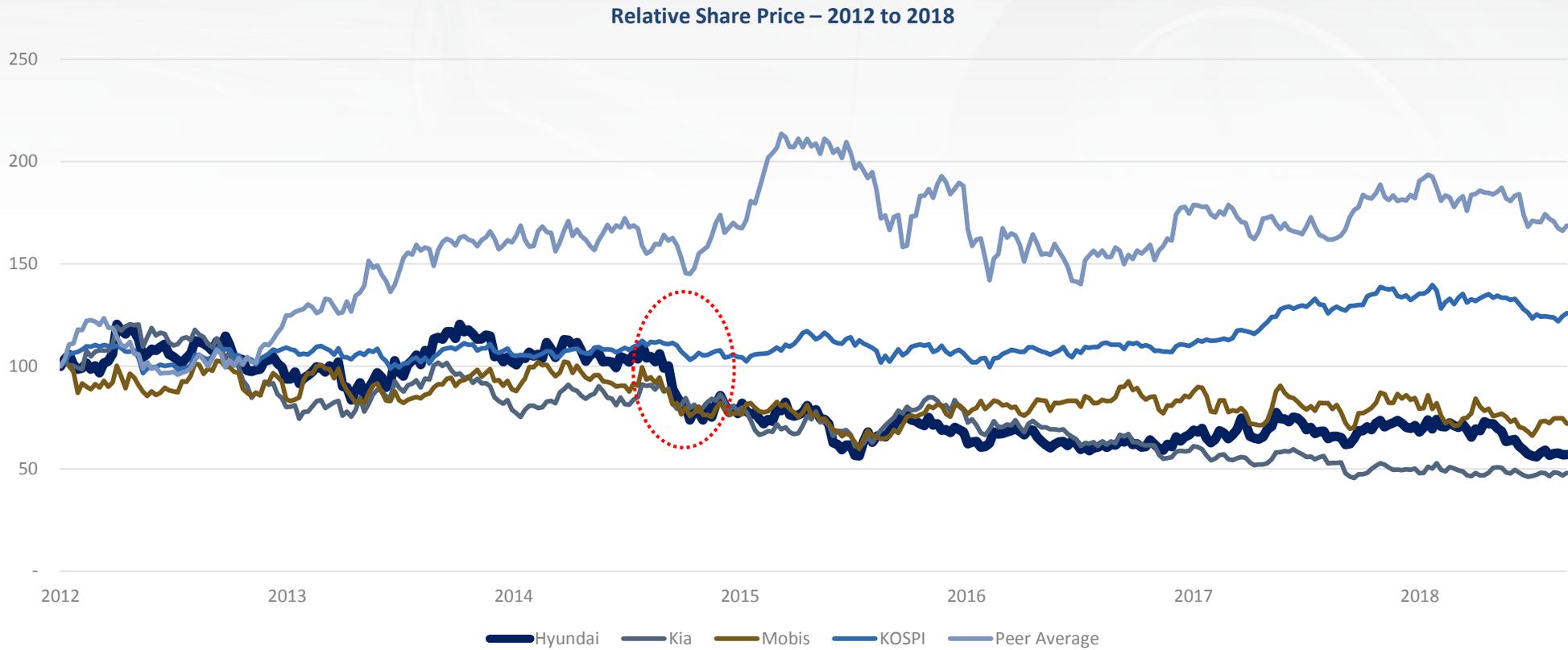
Source: Company reports, public domain

### 3 CAPITAL MANAGEMENT

Poor investment decisions hindered stock performance



#### HMC, KIA, MOBIS SIGNIFICANTLY UNDERPERFORMED PEERS AND THE KOSPI



Stock underperformance relative to peers over the last five years indicates continued shareholder concern regarding Hyundai’s ability to effectively manage its capital. Since the KEPCO land purchase in 2014, the 3 HMG entities have lost a combined market value of \$14Bn. Peers are up 13% over the same period.

Source: S&P Capital IQ, Data as of 31 August 2018  
Notes: Share price in local currency, indexed to 100.



## VII | **Optimizing the Balance Sheet**

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Returning Excess Cash

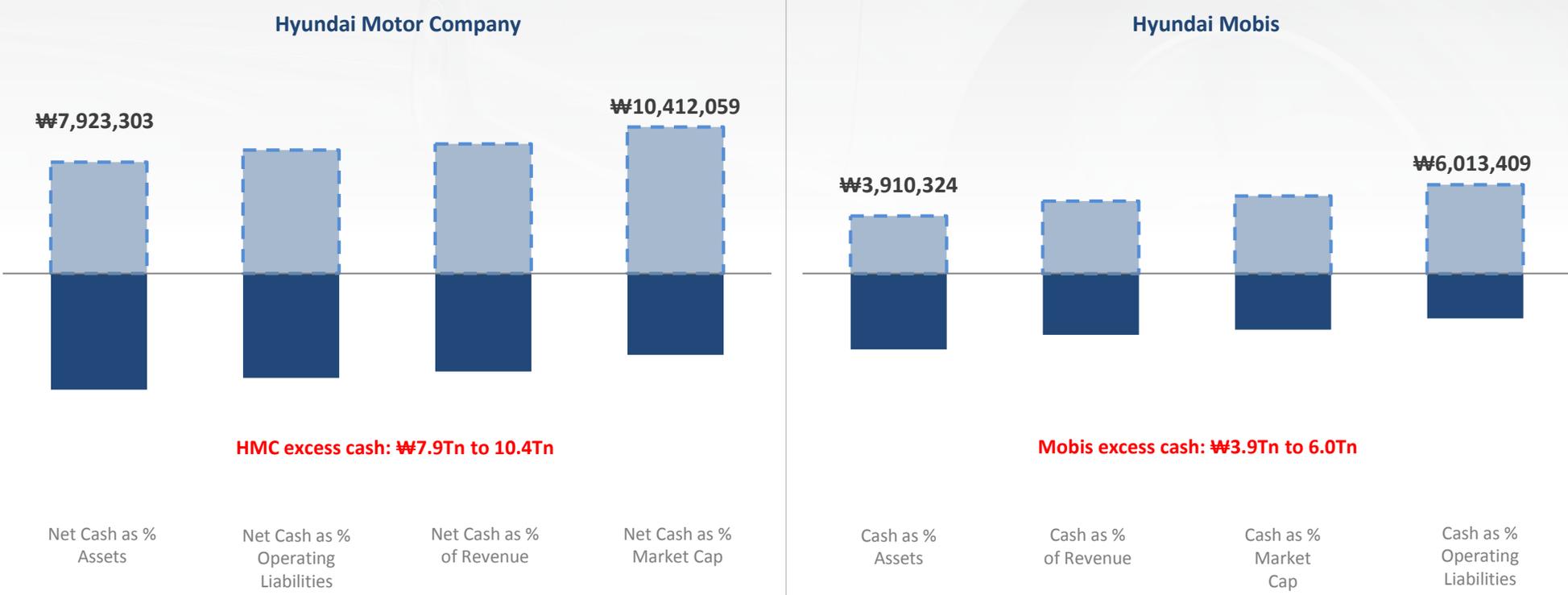
# 4 EXCESS CASH

Conway MacKenzie performed analysis to quantify excess cash



## PEER AVERAGE ANALYSIS ON CASH BALANCES REVEALS EXCESS CASH ON THE BALANCE SHEETS BETWEEN ₩12Tn to 16Tn (\$11Bn to \$15Bn)

Excess cash quantified by reverse engineering cash balances using peer average metrics.



- CM Calculated Cash Balance = Peer Average Percent Applied to HMC/Mobis F2017 Values
- CM Calculated Excess Cash = Cash in Excess of CM Calculated Cash Balance Relative to F2017 Cash Balance

Source: S&P Capital IQ, CM analysis  
 Notes: Net cash (excluding intercompany loans) used for HMC/peer metrics; using gross cash yields range of KRW 7.8-11.8 Tn  
 Gross cash used for Mobis/peer metrics as a more conservative assumption

## 4 EXCESS CASH

A “downside case” scenario was also used to help determine excess cash

### EXCESS CASH ANALYSIS CONDUCTED WITH CONSERVATIVE ASSUMPTIONS

The following key assumptions reflect a “downside case” scenario in the event of a downturn during the projected periods.

KRW in 000s	Hyundai Motor Company			Hyundai Mobis		
	P2018	P2019	P2020	P2018	P2019	P2020
Revenue Growth	0%	-15%	-10%	0%	-15%	-10%
Gross Profit Margin	21%	19%	16%	13%	11%	8%
SG&A as a % of Revenue	14%	13%	12%	4%	4%	3%
R&D as a % of Revenue	5%	5%	5%	4%	4%	4%
Capex as a % of Revenue	5%	5%	5%	6%	6%	6%
Depreciation as a % of Beginning PPE	8%	8%	8%	8%	8%	8%
Purchase of Intangible Assets	0%	0%	0%	0%	0%	0%
Amortization as a % of Beginning Intangible Assets	25%	25%	25%	25%	25%	25%
New Debt	-	-	-	-	-	-
Cash Interest	1,960,000	1,960,000	1,960,000	55,000	55,000	55,000
Principal Payments	-	-	-	-	-	-
Reserve for Critical Charges	1,333,333	2,000,000	666,667	250,000	250,000	250,000

Volume contraction assumed in P2019 and P2020 primarily due to decrease in projected volumes in the Japan/Korea and North American regions

Gross profit margins are assumed to decrease 250 basis points YoY in P2019 and P2020 due to the decrease in volume

SG&A is assumed to decrease as the Companies would likely implement cost reductions in a downturn

R&D and capex spend is assumed to increase to be more aligned with peer average as a % of revenue

Purchase of intangibles remains constant as a % of revenue

Depreciation and amortization remain constant as a % of beginning PPE and beginning intangibles, respectively

No new debt is assumed in this analysis; cash interest payments are assumed to remain constant

Principle payments of debt are assumed to be postponed

Reserve for critical charges includes a conservative estimate of potential restructuring fees and production relocation cost

## 4 EXCESS CASH

Excess cash analysis reveals opportunity to create meaningful value for shareholders

CONWAY  
MACKENZIE

### A SECOND CASH ANALYSIS CONFIRMS APPROXIMATELY ₩14Tn (\$12.5Bn) OF EXCESS CASH WHEN ASSUMING A “DOWNSIDE CASE” SCENARIO

Evaluation methodology outlined below:

- 1 Calculate EBITDARD<sup>1</sup> in a downturn scenario for the next three years
- 2 Determine cash required to cover companies' critical expenses over the same time period:
  - Increase capex to preserve market share during downturn and post-recovery
  - Increase R&D expenditure to peer-average level to ensure competitiveness
  - Debt coverage
  - Reserve for other critical charges including the cost for restructuring efforts
- 3 Include additional liquidity available to the companies (ie: undrawn amounts on lines of credit)
- 4 Exclude the minimum cash balance required
- 5 Evaluate the current excess cash on hand by taking the sum of: beginning cash, cash generated from EBITDARD, and any other liquidity available to the company; less: critical cash need and minimum cash balance required

	Hyundai Motor Company			Hyundai Mobis		
In KRW MM	P2018	P2019	P2020	P2018	P2019	P2020
EBIT	₩ 929,636	₩ 49,387	₩ 622,275	₩ 1,054,337	₩ 448,093	₩ 0
Addback: D&A	3,588,505	3,463,519	3,331,994	646,308	709,830	656,508
Addback: R&D	4,022,464	3,419,095	3,077,185	625,968	688,861	1,405,783
<b>EBITDARD<sup>1</sup></b>	<b>₩ 8,540,606</b>	<b>₩ 6,932,001</b>	<b>₩ 5,786,904</b>	<b>₩ 2,326,613</b>	<b>₩ 1,846,784</b>	<b>₩ 2,062,292</b>
Capex	3,650,014	3,102,512	2,792,261	2,003,241	1,702,755	1,532,479
R&D	4,022,464	3,419,095	3,077,185	625,968	688,861	1,405,783
Debt Coverage	1,960,000	1,960,000	1,960,000	55,000	55,000	55,000
Reserve for Other Critical Charges	1,333,333	2,000,000	666,667	250,000	500,000	250,000
<b>Critical Cash Need</b>	<b>₩ 10,965,811</b>	<b>₩ 10,481,606</b>	<b>₩ 8,496,112</b>	<b>₩ 2,934,209</b>	<b>₩ 2,946,616</b>	<b>₩ 3,243,263</b>
F2018 Beginning cash	₩ 25,589,376			₩ 9,043,848		
F2018-F2020 EBITDARD	21,259,511			6,235,689		
Additional Liquidity Available <sup>2</sup>	-			-		
Less: 3-Year Critical Cash Need	(29,943,530)			(9,124,088)		
Less: Minimum Cash Required <sup>3</sup>	(7,000,000)			(2,000,000)		
<b>F2018 Cash Excess/(Deficit)</b>	<b>₩ 9,905,356</b>			<b>₩ 4,155,450</b>		
						<b>₩ 14,060,806</b>

1. EBITDA before R&D expense

2. Although we believe additional liquidity is available to the Company, for conservative purposes, we have assumed \$0

3. Min cash required based on (1) GM's comments during 2008 Congressional hearings noting a minimum cash balance required of \$11Bn (scaled down for HMC/Mobis based on revenue) and (2) industry expert opinion

4. This methodology recreates how Ford weathered the downturn of 2008-09

## 4 EXCESS CASH

Excess cash analysis reveals opportunity to create meaningful value for shareholders

CONWAY  
MACKENZIE

THE ANALYSIS IMPLIES APPROXIMATELY ₩13Tn (\$11.7Bn) OF EXCESS CASH WHEN USING THE JUNE 2018 ENDING CASH BALANCE

	Hyundai Motor Company			Hyundai Mobis			
	In KRW MM	P2018	P2019	P2020	P2018	P2019	P2020
▪ The analysis on page 31 uses the December 2017 ending cash balance to align with the peer average calculations used throughout the presentation	EBIT	₩ 929,636	₩ 49,387	₩ 622,275	₩ 1,054,337	₩ 448,093	₩ 0
	Addback: D&A	3,588,505	3,463,519	3,331,994	646,308	709,830	656,508
	Addback: R&D	4,022,464	3,419,095	3,077,185	625,968	688,861	1,405,783
▪ Since December 2017 the ending cash balance for HMC has dropped ₩1.3Tn primarily due to dividends paid and purchase of treasury stock	EBITDARD <sup>1</sup>	₩ 8,540,606	₩ 6,932,001	₩ 5,786,904	₩ 2,326,613	₩ 1,846,784	₩ 2,062,292
	Capex	3,650,014	3,102,512	2,792,261	2,003,241	1,702,755	1,532,479
	R&D	4,022,464	3,419,095	3,077,185	625,968	688,861	1,405,783
	Debt Coverage	1,960,000	1,960,000	1,960,000	55,000	55,000	55,000
	Reserve for Other Critical Charges	1,333,333	2,000,000	666,667	250,000	500,000	250,000
	Critical Cash Need	₩ 10,965,811	₩ 10,481,606	₩ 8,496,112	₩ 2,934,209	₩ 2,946,616	₩ 3,243,263
	F2018 June YTD cash	₩ 24,267,397			₩ 9,511,019		
	F2018-F2020 EBITDARD	21,259,511			6,235,689		
	Additional Liquidity Available <sup>2</sup>	-			-		
	Less: 3-Year Critical Cash Need	(29,943,530)			(9,124,088)		
	Less: Minimum Cash Required <sup>3</sup>	(7,000,000)			(2,000,000)		
	<b>F2018 Cash Excess/(Deficit)</b>	<b>₩ 8,583,378</b>			<b>₩ 4,622,620</b>		

₩ 13,205,998

1. EBITDA before R&D expense

2. Although we believe additional liquidity is available to the Company, for conservative purposes, we have assumed \$0

3. Min cash required based on (1) GM's comments during 2008 Congressional hearings noting a minimum cash balance required of \$11Bn (scaled down for HMC/Mobis based on revenue) and (2) industry expert opinion

4. This methodology recreates how Ford weathered the downturn of 2008-09

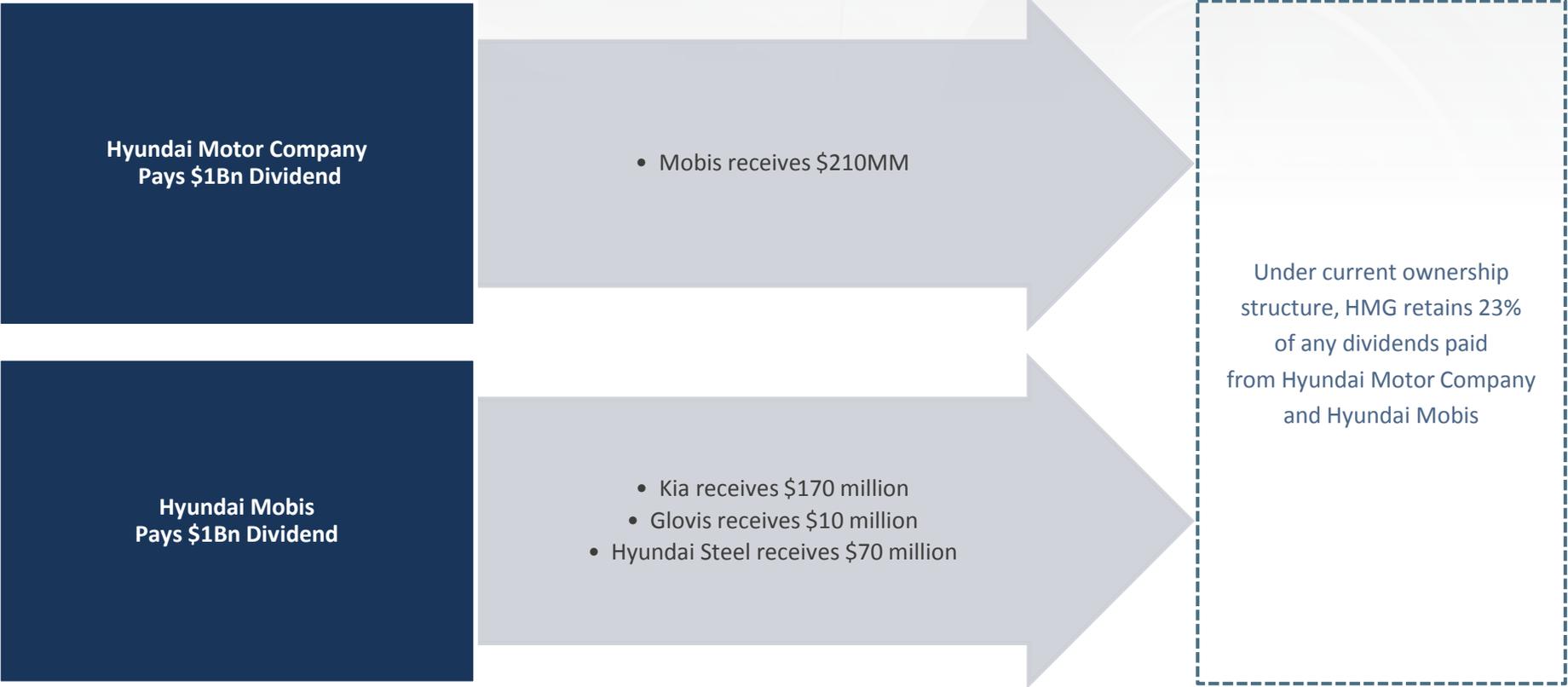
# 4 EXCESS CASH

## Dividends vs. Buybacks



### RETURN OF EXCESS CASH COULD REQUIRE ORGANIZATIONAL RESTRUCTURING

Returning excess cash through dividends results in further buildup of cash on the HMG balance sheet due to circular ownership.



### SHARE BUYBACKS OFFER A BETTER WAY TO RETURN CASH TO SHAREHOLDERS

Buybacks provide implied “put option” for investors as HMC and Mobis undertake restructuring, prevent excess cash from building up in other HMG entities, and allows management to be opportunistic by taking advantage of market movements.

Sources: Company reports, CM analysis



## VIII | A Path Forward

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### Preliminary Findings & Recommendations

# PRELIMINARY RECOMMENDATIONS

## Potential Action Items to Guide HMG on its Path Forward

Work Stream	Finding	Preliminary Recommendations
<p>1</p> <p><b>Capital Structure</b></p>	<p>HMG is overcapitalized.</p>	<ul style="list-style-type: none"> <li>Irrespective of a revamped restructuring proposal, indicate an intention to right-size the balance sheet in-line with peers</li> </ul>
<p>2</p> <p><b>Cash Flow Allocation</b></p>	<p>Uses of capital are insufficient.</p>	<ul style="list-style-type: none"> <li>Commit to spending levels of R&amp;D and capex in-line with peers</li> <li>Return at least 50% of FCF to shareholders following organizational restructuring</li> <li>Improve cash flow reporting by standardizing cash flow from operations</li> </ul>
<p>3</p> <p><b>Capital Management</b></p>	<p>Capital management lacks strategic rationale.</p>	<ul style="list-style-type: none"> <li>Articulate R&amp;D and capex strategy to address structural changes in the auto industry</li> <li>Divest non-core assets and return proceeds to shareholders</li> <li>Allocate capital toward accretive investments</li> </ul>
<p>4</p> <p><b>Excess Cash Balance</b></p>	<p>₩12Tn - 16Tn in excess cash exists on balance sheets.</p>	<ul style="list-style-type: none"> <li>Earmark excess cash and indicate intention to return cash to shareholders; utilize sustained stock buybacks (preferred method over dividends) irrespective of proper ownership restructuring</li> <li>At least ₩13Tn should be returned to better align the capital structure with peers; this is still reasonable despite the warranty provisions of ₩500B included in HMC's latest filing</li> </ul>



### OPPORTUNITY TO CREATE ADDITIONAL VALUE BY EXPLORING OTHER POTENTIAL CONSIDERATIONS

Create and separately report in-house technology unit related to electric and autonomous vehicle technology to demonstrate investment progress and potentially improve valuation

Continue to shift product mix to SUVs, keeping up with industry trends

Further segregate Mobis from HMC activities, similar to other previously captive suppliers

Segregate Mobis into 4 segments for reporting purposes: aftermarket activity, module activity, safety & ADAS, and remaining businesses

Increase investor awareness of the Mobis ADAS business to highlight R&D preparing the company for structural changes in the automotive industry





## IX | Appendix

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## CONWAY MACKENZIE IMPORTED FINANCIAL STATEMENT DATA FROM CAPITAL IQ

- Annual data was imported into a standardized reporting template developed by CM for both OEMs and suppliers
  - Fiscal year-ends were aligned as closely as possible to calendar year-ends (e.g., March 2018 year-ends were compared to Dec 2017 year-ends)
  - June 2018 ending cash balances for HMC and Mobis were used for the updated Excess Cash analysis reflected on page 32 based on publicly available data
- Individual line items for the financial statements were evaluated to ensure reporting was consistent across companies
  - Income statement and balance sheet line items were identified as either operating or non-operating based on data available in the annual reports and 10-Ks
    - Non-operating items for the income statement include profit/loss from equity investments, net interest income/expense, minority interest and taxes
    - Non-operating items for the balance sheet include equity investments, financial investment related assets/liabilities, deferred tax assets/liabilities, employee benefit liabilities (pensions) and non-current taxes payable
  - Cash flow line items were reviewed to ensure proper and consistent classification as operating, investing or financing activities
    - Verified operating cash flow, capital spending, stock buybacks and dividend payments against the annual reports and 10-Ks

## CONWAY MACKENZIE MODIFIED OEM FINANCIAL STATEMENTS TO SEGREGATE FINANCING DIVISIONS AND ADJUST FOR REPORTING DIFFERENCES

- The financing division items segregated on each statement were as follows:
  - Income statement – sales, cost of sales and SG&A
  - Balance sheet – receivables, net leased assets and debt
  - Cash flow – cash flow from operations, change in financing receivables, dividends (if applicable) and change in debt
- Other modifications were made to improve consistency:
  - Income statement - the treatment of research & development expenditure was leveled across the peer group by assuming all capitalized development costs are expensed as incurred
  - Cash flow statement – HMC working capital changes related to the financing division were moved from operating cash flows to investing cash flows to be consistent with all the other OEMs
  - Cash flow statement – certain OEMs reported combined purchases of fixed assets and intangibles; this was segregated to identify stand-alone capex
- The data analysis work completed by CM improved the accuracy and comparability of the data used as the basis for our analysis and conclusions

## CONWAY MACKENZIE DEFINITIONS

- Net operating profit after tax (NOPAT)
  - Operating profit from the core automotive business (ex-financing income/expenses) less an estimate for operating taxes
- Operating assets/liabilities
  - Cash and marketable securities
  - Common working capital requirements (A/R, A/P, Accrued Expenses, inventory, etc)
  - Property, plant, equipment
  - Intangible assets and goodwill
- Return on Invested Capital (ROIC)
  - NOPAT to net operating assets/liabilities
- Non-operating assets liabilities
  - Assets/liabilities not required to operate the core auto business (eg equity method investments, pension liabilities, etc)
- Net cash/debt
  - Cash attributed to the auto business less debt attributed to the core auto business (ie ex-financing division debt)
- Cash Flow from Operations
  - Cash specifically attributable to the automotive business, excluding any purchase/sale of investment securities, less capitalized R&D
- Free Cash Flow (FCF)
  - Cash Flow from Operations less automotive capex
- Increase in cash + Questionable investments (p. 19)
  - The increase in cash, marketable securities, and other financial assets, questionable capex (includes the KEPCO land purchase for HMC and Mobis)
- Asset turnover
  - Revenue to total assets

Note: All metrics listed throughout report exclude the financing business

# OEM Comparison – Selected Companies for HMC Peer Group



OE	2017 Full Year Financial Results												Market Capitalization	Product Line(s)
	Automotive & Other			Financing			Total			R&D Expense	Capex			
	Revenue	Pre-Tax Operating Profit	Pre-tax Operating Profit %	Revenue	Pre-Tax Operating Profit	Pre-tax Operating Profit %	Revenue	Pre-Tax Operating Profit	Pre-tax Operating Profit %					
HMC	\$66.8	\$2.1	3.2%	\$19.6	\$1.8	9.1%	\$86.4	\$3.9	4.5%	\$2.2	\$2.7	\$29.0	Passenger cars, SUVs, commercial vehicles & electric vehicles; vehicle financing, credit card processing, marketing, engineering & insurance services; trains; sports team ownership; real estate development; research and development; and investment activities.	
Toyota	\$248.5	\$19.7	7.9%	\$17.8	\$2.1	11.6%	\$266.3	\$21.8	8.2%	\$9.6	\$11.6	\$180.0	Passenger vehicles, SUVs, trucks, minivans & commercial vehicles, related parts & accessories; hybrid cars; fuel cell vehicles; subcompact, compact cars & luxury cars; Century limousines; financial services retail financing & leasing, wholesale financing, insurance & credit cards; prefabricated housing; information technology.	
Volkswagen	\$232.5	\$11.2	4.8%	\$35.0	\$3.1	8.9%	\$267.5	\$14.3	5.3%	\$15.2	\$14.0	\$97.6	Passenger cars, commercial vehicles, trucks, buses, parts & related services; vehicles & engines; large-bore diesel engines, turbo compressors, industrial turbines & chemical reactor systems; gear units, propulsion components & testing systems; dealer & customer financing, leasing, banking & insurance, fleet management & mobility services; motorcycles & turbomachinery; online used vehicles platform.	
Daimler	\$163.0	\$10.0	6.2%	\$27.6	\$2.3	8.3%	\$190.6	\$12.3	6.5%	\$10.1	\$7.7	\$87.8	Passenger cars, trucks, vans & buses; premium vehicles & small cars; electric mobility products; tailored financing & leasing packages for end-customers & dealers; automotive insurance brokerage, banking & fleet management services; mobility services; vehicle related spare parts & accessories.	
Ford	\$145.7	\$2.8	1.9%	\$11.1	\$2.2	19.9%	\$156.8	\$5.0	3.2%	\$8.0	\$7.0	\$49.6	Passenger cars, trucks, SUVs & electrified vehicles; luxury vehicles; service parts & accessories; automotive financing; retail installment sale contracts; direct financing leases; wholesale & working capital loans to dealers; purchase dealership real estate; other dealer vehicle programs.	
GM	\$133.4	\$9.0	6.7%	\$12.1	\$1.0	8.3%	\$145.6	\$10.0	6.9%	\$7.3	\$8.5	\$58.2	Passenger cars, trucks, crossovers & automobile parts; connected safety, security & mobility solutions; information technology services; automotive financing services.	
FCA	\$128.6	\$6.1	4.8%	\$0.0	\$0.0	0.0%	\$128.6	\$6.1	4.8%	\$5.0	\$6.6	\$32.2	Passenger cars, trucks & light commercial vehicles; luxury vehicles; service parts, accessories & service contracts; lighting components, body control units, suspensions, shock absorbers, electronic systems, exhaust systems, powertrain components, engine control units, plastic molding components & after-market products; cast iron components for engines, gearboxes, transmissions & suspension systems, aluminum cylinder heads & engine blocks; industrial automation systems & related products for the automotive industry; retail & dealer financings; leasing & rental services; factoring services.	
Nissan	\$97.9	\$3.3	3.3%	\$10.4	\$2.0	18.7%	\$108.3	\$5.2	4.8%	\$4.5	\$3.4	\$39.1	Passenger cars, SUVs, trucks & vehicle parts; engines, transmissions & component parts; industrial equipment engines, component parts & axles; specially equipped vehicles; motorsports engines, parts & accessories; rechargeable lithium-ion batteries; financial services, auto credit & car leasing, card business, insurance agency & inventory finance; travel, environmental & engineering, production technology center & facility services; ground & vehicle management; information & logistics; design, vehicle drawings & experiments, other engineering, electronic devices & electronic equipment; export & import of auto components & materials; real estate businesses; race & motorsports, vehicle remodeling; professional soccer team & soccer schools.	
BMW	\$82.5	\$7.5	9.1%	\$32.0	\$2.5	8.0%	\$114.4	\$10.1	8.8%	\$7.1	\$4.9	\$65.6	Passenger cars, SUVs, off-road vehicles and motorcycles; spare parts and accessories; and financial services. Primarily premium car and SUV market.	
Peugeot	\$75.5	\$2.8	3.7%	\$0.2	\$0.0	10.1%	\$75.6	\$2.8	3.7%	\$3.4	\$3.0	\$17.6	Passenger cars & light commercial vehicles; interior systems, automotive seating products & clean mobility products; retail & wholesale financing.	
Renault	\$65.2	\$2.7	4.2%	\$2.9	\$0.9	29.4%	\$68.2	\$3.6	5.3%	\$3.5	\$2.6	\$26.3	Passenger, light commercial & electric vehicles; powertrains, new & used vehicles, replacement parts; sales financing, rental, maintenance & service contracts; leasing solutions & resources for new & pre-owned vehicles; converted vehicles; driving aids & vehicle access aids.	

# Supplier Comparison Selection – Selected Companies for Mobis Peer Group



Supplier	2017 Full Year Financial Results						Market Cap	Product Line(s)	Selection Criteria		
	Pre-Tax Revenue	Pre-Tax Operating Profit	Pre-Tax Operating Profit %	R&D Expense	Capex	Privately Held			Product Diversity	Regions/ Markets	
<b>Suppliers Comps Selected</b>											
Hyundai-Mobis	\$31.5	\$1.8	5.8%	\$0.6	\$0.6	\$22.3	Automotive electronics, infotainment, ADAS, EV systems, module systems, lighting, airbag & brakes	Meets Criteria	Meets Criteria	Meets Criteria	
Continental	\$51.0	\$4.5	8.9%	\$3.6	\$3.3	\$52.3	Advanced driver assistance systems, electronic brakes; stability management, tires, foundation brakes, chassis systems, safety electronics, telematics, powertrain electronics, injection systems & turbochargers	Meets Criteria	Meets Criteria	Meets Criteria	
Denso	\$46.3	\$3.7	7.9%	\$4.1	\$3.2	\$41.1	Thermal, powertrain control, electronic & electric systems; small motors, telecommunications	Meets Criteria	Meets Criteria	Meets Criteria	
Magna	\$38.9	\$2.8	7.3%	\$0.5	\$1.9	\$25.6	Body exteriors & structures; power & vision technologies; seating systems & complete vehicle solutions	Meets Criteria	Meets Criteria	Meets Criteria	
Aisin Seiki	\$35.4	\$2.3	6.5%	\$0.0	\$2.3	\$14.2	Body, brake & chassis systems, electronics, drivetrain & engine components	Meets Criteria	Meets Criteria	Meets Criteria	
Valeo	\$21.5	\$1.7	7.8%	\$1.3	\$1.3	\$17.1	Micro hybrid systems, electrical & electronic systems, thermal systems, transmissions, wiper systems, camera/sensor technology, security systems, interior controls	Meets Criteria	Meets Criteria	Meets Criteria	
Autoliv	\$10.4	\$0.6	5.8%	\$0.7	\$0.6	\$11.1	Airbags, seat belts, safety electronics, steering wheels, brake control systems, radar, night vision, camera vision systems	Meets Criteria	Meets Criteria	Meets Criteria	
Tenneco	\$9.3	\$0.4	4.5%	\$0.2	\$0.4	\$3.0	Emission control systems, manifolds, catalytic converters, diesel aftertreatment systems, catalytic reduction mufflers, shock absorbers, struts, electronic suspension products & systems	Meets Criteria	Meets Criteria	Meets Criteria	
Mando Corporation	\$5.1	\$0.1	1.5%	\$0.1	\$0.3	\$2.6	Brakes, steering, suspension, radar, camera, ultrasonic, chargers & components & advanced highly automated driving chassis systems	Meets Criteria	Meets Criteria	Meets Criteria	
Hanon Systems	\$5.0	\$0.4	8.4%	\$0.1	\$0.3	\$6.7	Thermal & energy management, heating ventilation & air conditioning, powertrain cooling, compressors, fluid transport, thermal & emissions solutions	Meets Criteria	Meets Criteria	Meets Criteria	
<b>Suppliers Comps Considered; Not Selected</b>											
Robert Bosch GmbH	\$90.5	\$5.7	6.3%	\$8.4	\$6.4	\$0.0	Powertrain solutions; chassis systems controls; electrical drives, car multimedia, electronics, steering systems & battery technology	Does Not Meet Criteria	Meets Criteria	Meets Criteria	
ZF Friedrichshafen AG	\$42.3	\$1.8	4.2%	\$2.6	\$1.6	\$0.0	Transmissions, chassis components & systems, steering systems, braking systems, clutches, dampers, active & passive safety systems, driver assist systems including camera, radar & lidar	Does Not Meet Criteria	Meets Criteria	Meets Criteria	
Faurecia	\$23.4	\$1.3	5.8%	\$0.3	\$0.9	\$11.0	Seating, emissions control technologies & interior systems	Meets Criteria	Does Not Meet Criteria	Meets Criteria	
Lear Corporation	\$20.5	\$1.5	7.1%	\$0.0	\$0.6	\$12.3	Seating & electrical systems (E-Systems)	Meets Criteria	Does Not Meet Criteria	Meets Criteria	
Adient	\$16.2	\$0.8	5.2%	\$0.5	\$0.6	\$6.2	Seating & seating systems & components	Meets Criteria	Does Not Meet Criteria	Meets Criteria	
Yazaki	\$7.1	\$0.1	0.7%	\$0.0	\$0.0	\$0.0	Wiring harnesses, connectors, junction boxes, power distribution boxes, instrumentation & high voltage systems	Does Not Meet Criteria	Does Not Meet Criteria	Meets Criteria	
Brembo	\$2.9	\$0.4	13.4%	\$0.0	\$0.4	\$4.8	Braking systems and components	Meets Criteria	Does Not Meet Criteria	Does Not Meet Criteria	

- The chart to the left summarizes criteria used to select the supplier comparisons
- Companies selected met the following criteria:
  - Diverse product lines and comparable to Hyundai Mobis
  - Global presence with significant market share in the North America, Europe and Asia Pacific
- Companies not selected were excluded due to the following:
  - Privately-held ownership – Bosch, ZF and Yazaki
  - Limited product lines compared to Hyundai Mobis – Lear and Adient

 Meets Criteria  
 Does Not Meet Criteria

# CASH FLOW ALLOCATION

## Adjusted Cash Flow from Operations

### ADJUSTING ITEMS FOR HMC CASH FROM OPERATIONS

Supporting details for page 18

#### Adjusted Cash Flow from Operations – Details (in KRW)

	2015	2016	2017
<b>CFO as presented in Annual Report</b>	₩ 1,248,424	₩ 996,964	₩ 3,922,421
<b>Elimination of Financing Activities</b>	5,989,120	5,953,428	3,987,686
<b>Normalized CFO</b>	7,237,544	6,950,392	7,910,107
<b>R&amp;D Adjustment</b>	(1,098,176)	(1,224,743)	(1,307,849)
<b>Adjusted CFO</b>	₩ 6,139,368	₩ 5,725,649	₩ 6,602,258
<b>Total % Change from CFO as presented</b>	392%	474%	68%

Source: Company reports, Conway MacKenzie analysis

# EXCESS CASH

Excess cash analysis reveals opportunity to create meaningful value for shareholders



## A BASELINE VIEW OF CASH VS. PEER AVERAGE REVEALS ₩12Tn-16Tn (\$11-15Bn) OF EXCESS CASH ON THE BALANCE SHEET

Supporting details for page 29

Metric	Hyundai Motor Company				Hyundai Mobis			
	HMC Ratio	Peer Ratio	Implied Net Cash Balance <sup>1</sup>	Implied Excess Cash	Mobis Ratio	Peer Ratio	Implied Cash Balance <sup>2</sup>	Implied Excess Cash
Cash as % of Revenue	22%	9%	₩ 6,974,356	₩ 9,214,490	26%	12%	₩ 4,138,087	₩ 4,905,761
Cash as % Mkt Cap	50%	18%	5,776,786	10,412,059	36%	15%	3,792,880	5,250,968
Cash as % of Operating Liabilities	53%	24%	7,422,095	8,766,751	143%	48%	3,030,439	6,013,409
Cash as % of Assets	16%	9%	8,265,543	7,923,303	18%	11%	5,133,524	3,910,324

1. Net cash used for HMC/peer metrics; gross cash yields range of KRW 7.8-11.8 Tn

2. Gross cash used for Mobis/peer metrics as a more conservative assumption

# CAPITAL MANAGEMENT

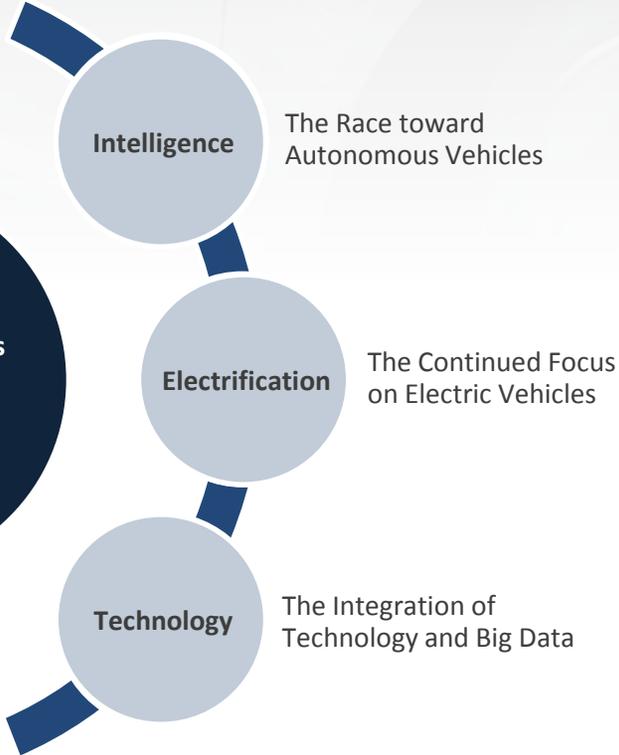
Other OEMs spearhead industry-wide investment strategies for future mobility



**Hyundai Motor Company**  
...although making some investments in autonomous and electrification, it lags its peers and is unrecognized as a leader in the movement.

**Toyota**  
...invests or will invest billions of dollars into autonomous, electric, and big data.

**Nissan**  
...formed an alliance with Renault and Mitsubishi to bolster its market share in mobility.



**Ford**  
...developed separate segments, two subsidiaries dedicated to mobility and autonomous, entitled Ford Mobility and Ford Autonomous Vehicles LLC.

**GM**  
...created its own division focused on autonomous – GM Cruise LLC.

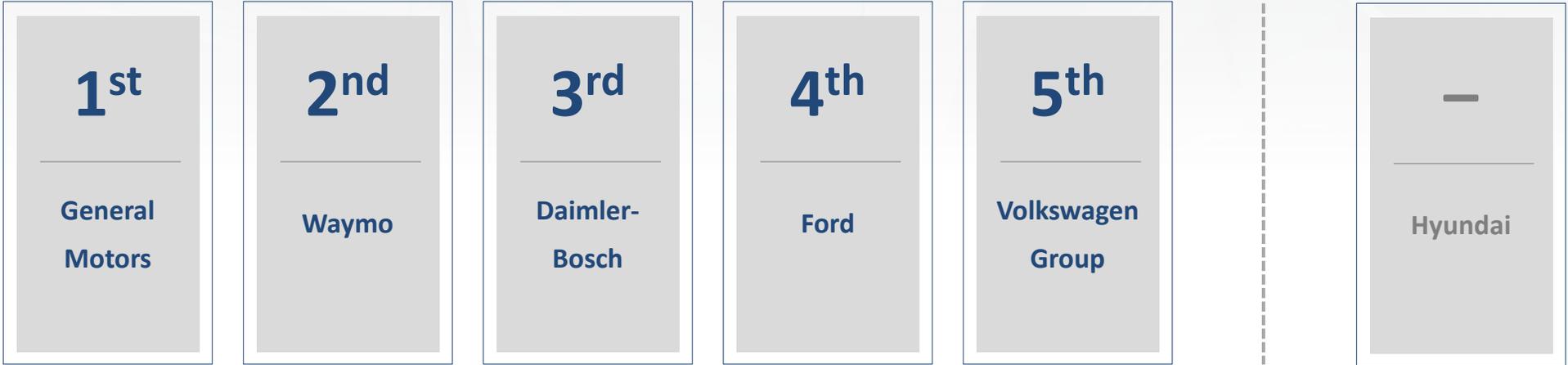
**Volkswagen**  
...will be one of the first auto makers to launch a fully autonomous (level 5) vehicle.

Source: Company annual reports



### HMG LAGS BEHIND ITS PEERS IN THE INVESTING OF GROWING AUTOMOTIVE TRENDS TOWARD AUTONOMOUS VEHICLES AND MOBILITY

#### Leading Companies of Autonomous Vehicle Development



#### Estimated Launch Year of Autonomous Vehicles



Source: Navigant Research

Notes: Evaluates 19 companies developing automated driving systems. These players are rated on 10 criteria: vision; go-to market strategy; partners; production strategy; technology; sales, marketing, and distribution; product capability; product quality and reliability; product portfolio; and staying power. Using Navigant Research's proprietary Leaderboard methodology, vendors are profiled, rated, and ranked with the goal of providing an objective assessment of their relative strengths and weaknesses in the development and deployment of automated driving technology.