



Moving HMC Forward

By right-sizing the balance sheet and adding diverse and independent directors to enhance accountability, HMC can fulfill its true potential as an industry leader and steward of investors' capital

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Independent Shareholder Nominee Bios

Contrasting Engagement with Mobis

We recently sent a letter to our fellow shareholders of **Hyundai Mobis** detailing the case for the shareholder resolutions we have put forward for consideration at the Mobis Annual General Meeting (“AGM”), also on 22 March, 2019. These resolutions aim to address the serious governance and balance-sheet issues at Mobis that have contributed to its persistent and meaningful underperformance.

Today, as one of the largest independent shareholders in HMC, we make the case for a similar set of resolutions. Like Mobis, HMC has fallen short in its treatment of shareholders due to its retention of substantial excess capital and a lack of independence and accountability on its Board. **However, unlike Mobis, and to our significant disappointment, HMC has refused to take even the kinds of small but incrementally positive steps forward taken by Mobis on capital return and governance.**

Instead, HMC has offered less than zero. On 27th February, the Company unveiled a plan that fails to include any meaningful steps to remedy its balance-sheet overcapitalization, while at the same time proposing Board changes that appear to exacerbate its governance shortcomings.

Elliott’s letter to Mobis shareholders can be read in its entirety at www.acceleratehyundai.com

Executive Summary

We urge all HMC shareholders to help drive the necessary reforms at HMC, by supporting our resolutions at the AGM on **22 March 2019**.

Nearly a year has passed since HMG withdrew its restructuring plan. Informed by exhaustive research and extensive dialogue with other stakeholders, we advised HMC to take action on the following critical issues to rectify the Company's persistent underperformance:

- As identified in Conway MacKenzie's Independent Analysis, HMC remains severely overcapitalized with a net cash balance of KRW14.3 trillion as of 2018, exceeding its peers by KRW 8-10 trillion. HMG affiliates have mismanaged these funds, investing in questionable projects that have heightened the alarm of markets and shareholders.
- Corporate governance at HMC must be brought in line with international best practices. New independent directors are needed in the boardroom to provide diversity, depth of experience, and fresh perspectives and the Audit Committee must be granted greater independence to hold management accountable.

The problems facing HMG and HMC are well-known but important to highlight in the absence of any corrective action from management.

- Against its peers, HMC continues to underperform significantly (by 61% vs. the KOSPI and 43% vs. its peers in the last five years)
- Valuation remains discounted as HMC trades at 1.2x EV/EBITDA and 1.8x ex-cash P/E, which is a discount of 72-82% vs. KOSPI and 42-46% vs. peers

Elliott has therefore proposed resolutions to the shareholders that step in where HMC has refused to, in light of the scale of the problems:

Summary of Resolutions Proposed by Elliott

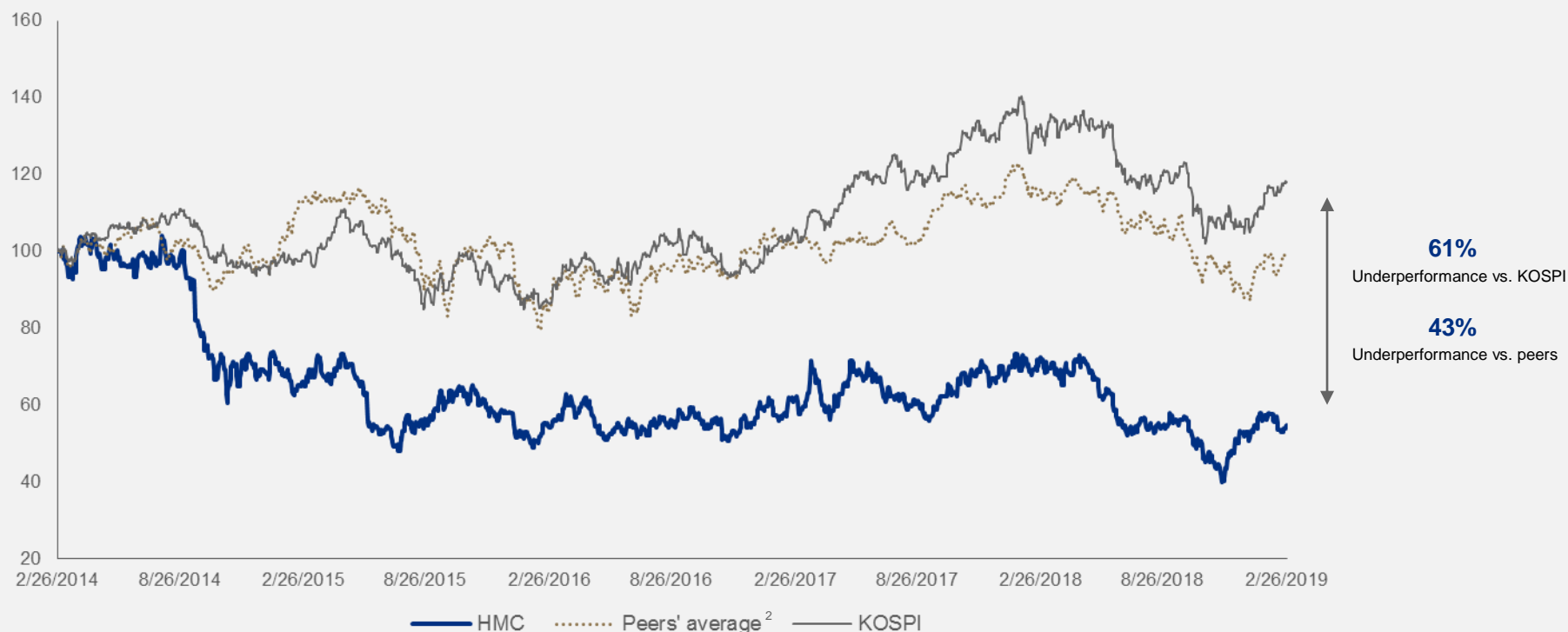
Agenda No. 1-2-2	The approval of appropriation of retained earnings for FY2018 at HMC to dividends of KRW4.5 trillion for common voting shares of HMC, representing KRW21,967 per share. If passed, shareholders would receive a one-time dividend equivalent to 17% of HMC's current stock price.
Agenda No. 2-9	The establishment of Compensation and Governance Committees at HMC.
Agenda No. 3-1-4, 3-1-5, & 3-1-6	The nomination of three (3) highly qualified independent director candidates (the "Independent Shareholder Nominees").
Agenda No. 4-3, 4-4, & 4-5	The nomination of the Independent Shareholder Nominees for the Company's Audit Committee.

HMC continues to significantly underperform peers and the KOSPI

The Case for Change is Clear

HMC continues to underperform significantly against its peers while almost 50% of the Company's market cap remains as net cash, dragging down returns

L5Y shareholder return performance¹



Source: Market data

Notes:

1. Dollarized total shareholder return performance indexed to 100

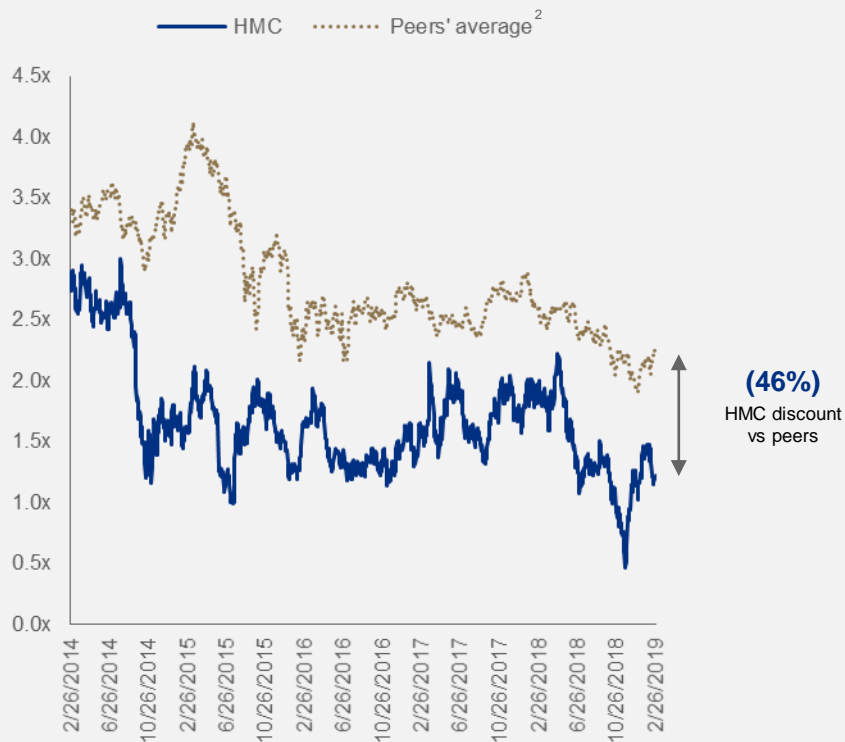
2. Peers' average includes Toyota, Nissan, Daimler, BMW, Volkswagen, Renault, Peugeot, GM, Ford and Tata Motors

HMC valuation remains severely discounted vs. peers in terms of EV/EBITDA and P/E

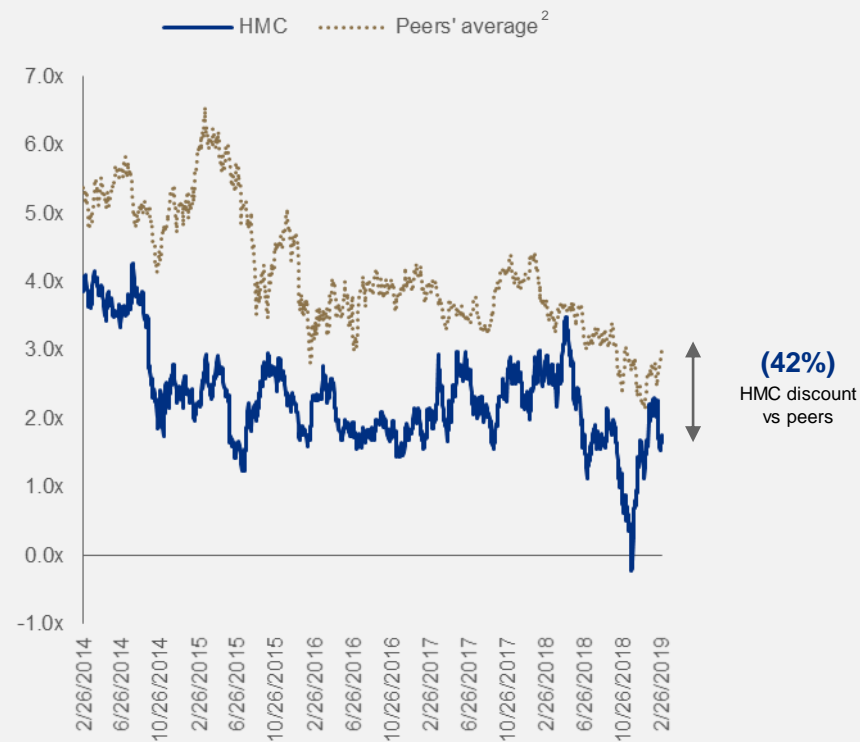
The Case for Change is Clear

HMC also trades at just **0.4x P/B** vs. peers' **0.9x**

HMC vs. peers' forward EV/EBITDA¹



HMC vs. peers' forward P/E (Ex-Cash)¹



Source: Market data, company fillings

Notes: 1. Forward EBITDA and earnings based on brokers' estimates. Market cap post deduction of cash and cash equivalents, short-term financial instruments, marketable securities

2. Peers' average includes Toyota, Nissan, Daimler, BMW, Volkswagen, Renault, Peugeot, GM, Ford and Tata Motors

Solutions Must Match the Scale of the Problems They Seek to Address: The Case for Change is Clear

- HMC continues to underperform significantly (by 61% vs. the KOSPI and 43% vs. its peers in the last five years) and valuation remains meaningfully depressed (up to 46% vs. peers)¹
- Elliott has consistently called for HMC's excess capital to be returned to shareholders since last year. The one-time dividend is a first step in right-sizing the Company's balance sheet and significantly reduces the risk that valuable capital will be used to fund non-core projects, as has happened repeatedly in the past (see slide 9 for examples)

Elliott therefore urges shareholders to take the necessary and proportionate action:

✔ Vote for:

Agenda No. 1-2-2	The approval of appropriation of retained earnings for FY2018 at HMC to dividends of KRW4.5 trillion for common voting shares of HMC, representing KRW21,967 per share.
Agenda No. 2-9	The establishment of Compensation and Governance Committees at HMC
Agenda No. 3-1-4	The nomination of Dr. John Liu as an outside director
Agenda No. 3-1-5	The nomination of Randall ("Randy") MacEwen as an outside director
Agenda No. 3-1-6	The nomination of Margaret ("Peg") Billson as an outside director
Agenda No. 4-3	The appointment of Dr. John Liu to HMC's audit committee
Agenda No. 4-4	The appointment of Randall ("Randy") MacEwen to HMC's audit committee
Agenda No. 4-5	The appointment of Margaret ("Peg") Billson to HMC's audit committee

✘ Vote against:

Agenda No. 1-2-1	The approval of appropriation of retained earnings for FY2018 at HMC to dividends of KRW615 billion for common voting shares of HMC, representing just KRW3,000 per common share
Agenda No. 3-1-1	Nomination of Chi Won Yoon
Agenda No. 3-1-2	Nomination of Eugene M. Ohr
Agenda No. 3-1-3	Nomination of Sang Seung Lee

Notes:

1. See slides 6 and 7 for details on long term underperformance and valuation discounts vs. peers

Agenda 1: Payment of Dividends

Elliott proposes that shareholders approve appropriation of retained earnings for FY2018 to dividends of **KRW4.5 trillion** for common voting shares of HMC (Agenda 1-2-2)



Vote for: Agenda 1-2-2

- One-time dividend of **KRW4.5 trillion** or **KRW21,967** per common share, representing **17%** of share price²
- Reduces net cash balance from **KRW14.3 trillion** to **KRW8.5 trillion**²
- Does not remove the entire excess capital of HMC but reasonably brings it in line with industry peers, leaving over half the excess capital on the Company's balance sheet
- Gross cash of **KRW15.5 trillion** after payout will be more than sufficient to meet liquidity and M&A needs
- Achieving management's ambitious ROE targets (9% by 2022) requires improving margins AND reducing overcapitalization

SHAREHOLDERS MUST VOTE FOR ONLY ONE OF THESE AGENDAS. WE CALL ON THE COMPANY TO DISCLOSE THE NUMBER OF VOTES FOR EACH AGENDA.



Vote against: Agenda 1-2-1

- Dividend of **KRW615 billion** or **KRW3,000** per common share, representing **2.4%** of share price¹
- Fails to fix HMC's overcapitalization problems as management continues to believe liquidity needs can only be met by cash on balance sheet
- Does not remove significant risk that capital will be used to fund value-destructive non-core projects as shareholders have seen in the past
 - **HMG's KRW10.6 trillion** purchase of land in Gangnam district (2014)
 - **HMG's KRW5.0 trillion** acquisition of a **34.5%** stake in Hyundai E&C (2011) at a **58%** premium to its share price at the time
- Maintaining trillions of won as cash on balance sheet for future unknown M&A is poor stewardship of capital given the significant opportunity cost
- Given the significant step up in expected R&D spend, shareholders deserve more than the sparse details provided in the investor presentation
- Unclear as to whether the incremental investments will offer returns above the cost of capital given HMC's poor investment track record, as well as the Group's history of investing in non-core projects

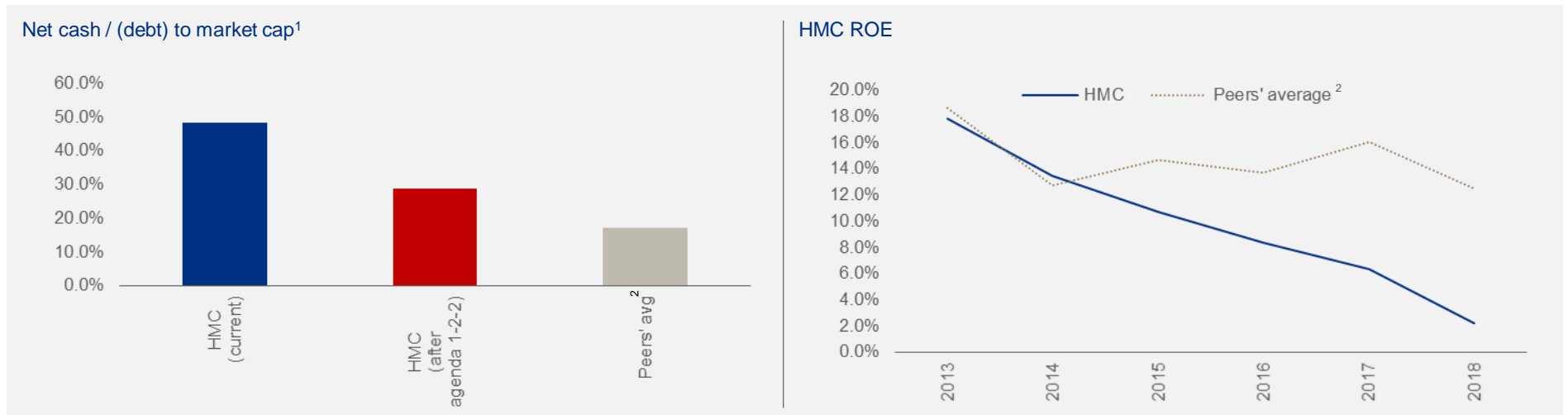
Notes:

1. Share price as of 26 Feb 2019

2. Including KRW4.5 trillion to common shareholders and KRW1.3 trillion for preferred shareholders

Agenda 1: Payment of Dividends (cont'd)

HMC has long been overcapitalized as compared to global peers, which has dragged down returns, standing at an industry low of **2.2%** of ROE



On HMG's new headquarters

- We are concerned that HMG is poised to spend trillions of won in developing its new headquarters in Gangnam given the recent construction plan approvals
- We have seen research and news commentary that estimates a potential initial spend between KRW4 to 5 trillion
- Such a large expense would be value destructive and a continuation of poor stewardship of capital, mirroring the behavior exhibited when the Group spent over 10 trillion when acquiring the land four years ago, hurting shareholders in the process
- This is further evidence that excess capital must be returned to shareholders. The Company should return to the market to attract funding for future investments given its poor track record
- *“Our DCF analysis suggests that the GBC will generate a negative NPV of W6.0tn, consistent with abrupt share-price correction after the announcement...thus, from an economic standpoint, the GBC project would be considered value destructive.”* (BofA Merrill Lynch, 16 January 2019)

Notes:

1. Share price as of 26 Feb 2019

2. Peers' average includes Toyota, Nissan, Daimler, BMW, Volkswagen, Renault, Peugeot, GM, Ford and Tata Motors. 2018 ROE for Toyota, Nissan and BMW represent annualized FY2018 ROE

Agenda 2-9:

Establishment of Compensation and Governance Committees

Vote for Agenda 2-9: The following Committees will help champion shareholder rights and corporate transparency:

1. Director Compensation Committee

HMC's independent director compensation falls well below global standards

Company	NED compensation (excluding Chairman / Committee / other roles)
HMG	c. US\$ 45,000 – 55,000
Daimler	EUR 144,000
BMW	EUR 140,000
Volkswagen	EUR 100,000
GM	US\$ 285,000
Ford	US\$ 315,000

- To attract and retain top talent, directors should be provided with market competitive remuneration that properly aligns their incentives with that of the Company's stakeholders
- The amendment envisages the formation of a Compensation Committee that will help establish compensation schemes that are transparent, commensurate with directors' experience and performance, and reasonable as compared to both domestic and international practices
- In exchange, shareholders can and should call for directors' more focused attention to the Company

2. Corporate Governance & Communication Committee

- The Corporate Governance & Communication Committee has not been formally incorporated in the Company's AOI
- **It is alarming that HMC only reserves a seat for ONE outside director to protect and represent shareholders' interests**
- The partial amendment of the AOI provisions seek to expressly provide for the establishment and duties of the Corporate Governance & Communication Committee
- The Corporate Governance & Communication Committee will ensure that the Board of Directors operate efficiently while protecting both the corporate value of HMC and the interests of the shareholders in the long term

Agenda 3: Nomination of Outside Directors

Elliott has nominated three highly qualified and independent director candidates



Vote for:

Agenda **3-1-4, 3-1-5 and 3-1-6**

- The Independent Shareholder Nominees have significant and relevant industry experiences
- These truly independent directors will represent all shareholders, and will be crucial in achieving real corporate governance at HMC

Dr. John Liu

An accomplished engineer and a global technology executive with extensive experience in executive and board roles for multinational public companies

Randall (“Randy”) MacEwen

President and CEO of Ballard Power Systems, a US and Canadian-listed developer and manufacturer of innovative fuel cell products for mobile and stationary applications

Margaret (“Peg”) Billson

An engineer and business leader with more than three decades of executive and board experience at large, complex industrial and transportation companies

↗ See appendix for more detailed candidate backgrounds



Vote against:

Agenda **3-1-1, 3-1-2 and 3-1-3**

- Elliott recommends voting against the three director nominees as proposed by the Board:
 - Chi Won Yoon: Former President of UBS Asia Pacific
 - Eugene M. Ohr: A retired buy-side analyst with no previous board experience
 - Sang-Seung Lee: A Professor at Seoul National University
- These candidates individually and collectively offer limited improvements from the existing board composition
- Unlike the Independent Shareholder Nominees, these candidates have limited (if any) board experiences

ELLIOTT STRONGLY DISAGREES WITH THE BOARD’S DECISION TO LIMIT THE NUMBER OF OUTSIDE DIRECTORS TO THREE. SHAREHOLDERS DESERVE A FAIR CHOICE IN BOARD MEMBERS THAT WILL BEST PROTECT THEIR INTERESTS.

Agenda 3: Nomination of Outside Directors (cont'd)

The Independent Shareholder Nominees complement each other as well as the existing board, offering more diversity, board and relevant industry experiences, as compared to management's candidates

Outside directors if **Elliott's** candidates are elected:

Name	Background
<i>Eun Soo Choi</i>	<i>Lawyer at Daeryook & Aju</i>
<i>Dong Kyu Lee</i>	<i>Lawyer at Kim & Chang Law Group (legal counsel to HMC)</i>
<i>Byung Kook Lee</i>	<i>Accountant at e-Chon Tax Accounting Corp</i>
Dr. John Liu	Global ICT executive with significant board experiences at large multinationals (e.g. ARM Holdings PLC)
Randall ("Randy") MacEwen	Sustainable energy executive with a focus on fuel cell technology
Margaret ("Peg") Billson	Senior executive in the aviation industry with multiple board roles on publicly listed companies

The Independent Shareholder Nominees offer:

- ✓ Multiple board experiences on large publicly listed multinationals
- ✓ Diversity in terms of gender, background, and nationality
- ✓ Wealth of experience and relevant industry backgrounds ranging from aviation, telecommunications and sustainable energy technology
- ✓ A real change for the benefit of all stakeholders of HMC

Outside directors if **Management's** candidates are elected:

Name	Background
<i>Eun Soo Choi</i>	<i>Lawyer at Daeryook & Aju</i>
<i>Dong Kyu Lee</i>	<i>Lawyer at Kim & Chang Law Group (legal counsel to HMC)</i>
<i>Byung Kook Lee</i>	<i>Accountant at e-Chon Tax Accounting Corp</i>
Chi Won Yoon	Finance (Former President of UBS Wealth Management Asia Pacific)
Eugene M. Ohr	Finance (Former analyst at Capital Group)
Sang Seung Lee	Academic (Professor at Seoul National University)

HMC candidates offer:

- ✗ Limited prior board experiences
- ✗ Limited diversity in terms of experience and industry backgrounds
- ✗ More of the same

Agenda 4:

Nomination of the Independent Shareholder Nominees for the Audit Committee Role

Vote for Agenda **4-3**, **4-4** and **4-5**

HMC's audit committee is required by law to perform a key role in helping the board fulfill its fiduciary responsibilities:

- The audit committee oversees the Company's financials and monitors the directors' performance of their duties
- It also investigates, where necessary, illicit financial behavior on the Board and within management
- In order to discharge their challenging duties in an unbiased and transparent manner while remaining truly faithful to the Company and its shareholders, it is paramount that the audit committee be composed of truly independent members with diverse backgrounds and expertise
- For that reason, Elliott has nominated each of the Independent Shareholder Nominees for the audit committee role

**THE ELECTION OF THE INDEPENDENT SHAREHOLDER NOMINEES TO THE AUDIT COMMITTEE
WILL HELP ENSURE THAT HMC'S BOARD FULFILLS ITS FIDUCIARY RESPONSIBILITIES**

Appendix

A close-up photograph of the rear of a white car, focusing on the taillight assembly. The taillight is red and has a complex, multi-faceted design. The car's body is white and glossy, reflecting light. The background is blurred, showing what appears to be a parking garage or a similar indoor setting.

Elliott Proposed Independent Nominees:

Dr. John Liu

Dr. John Liu is an accomplished engineer and global technology executive with extensive experience in executive and board roles for multinational public companies.

Over the last 10 years, Dr. Liu has served as the Group Vice President of Wanda Group and COO of its Internet Technology Business, was the Chief Business Officer of Qihoo 360 and was the President of Google in China. In these roles, he led the digitation, automation and Internet of Things transformation, as well as partnership strategies with key stakeholders across the Americas, Europe and Asia.

Previous experience

Prior to that, Dr. Liu was the CEO of SK Telecom China and led the company's investment and joint-venture relationships with key corporate and government stakeholders from 2007 to 2012.

Dr. Liu has been an Independent Director at the e-commerce company within the Hong Kong-listed China Eastern Airlines (2014 to 2018) and UK-listed ARM Holdings (2014-2016). He is currently an Independent Director and the Chairman of the Remuneration Committee of Hong Kong-listed Digital China Holdings.

Education

Dr. Liu has a PhD from the Technical University of Denmark and a Bachelor's Degree from Beijing Normal University, where he is currently on the Board of Trustees and the Chairman of the Investment Committee of the Education Fund for Beijing Normal University.

Dr. Liu's wealth of knowledge of Chinese regulations, while navigating Government relations make him an ideal candidate to help promote HMC's international growth.

Randall ("Randy") MacEwen

Randy MacEwen is a seasoned sustainable energy executive with a deep passion for, and extensive experience in transformative energy technologies.

He is currently the President and CEO of Ballard Power Systems, a US and Canadian-listed developer and manufacturer of innovative fuel cell products for mobile and stationary applications.

Randy began his career at Torys, a leading Canadian business law firm and today represents Ballard as a supporting member of the Hydrogen Council. He is a Vice Chairman of the International Hydrogen and Fuel Cell Association, both of which Hyundai is a member.

Previous experience

From 2001 to 2014, Randy served as a CEO and held senior executive positions within various sustainable energy companies, including Solar Integrated Technologies and Stuart Energy Systems Corporation.

Education

Randy has a Bachelor of Law degree from the University of Western Ontario and a Bachelor of Arts degree from York University.

Randy's extensive experience in clean fuel technologies would make him a refreshing and necessary addition to HMC's boardroom, as the Company expands into the sustainable sector.

Margaret ("Peg") Billson

Peg Billson is an engineer and business leader with more than three decades of experience at large, complex industrial and transportation companies.

From 2009 to 2016, Peg was a senior executive and divisional CEO at BBA Aviation, an aftermarket parts and services business supplying the global aviation industry, where she led 2000 employees across four continents.

She served as President and COO of a start-up light jet manufacturer from 2005 to 2008 where she oversaw the engineering and design, production, supply chain and flight operations teams.

Previous experience

From 1993 to 2005, Peg was a leading executive at Honeywell International Inc. and Douglas Aircraft Company.

Peg previously served as an Independent Director at Skywest Inc., a US-listed aviation company, and currently serves as a member of the Human Resources and Nomination & Governance Committees at CAE Inc., a Canadian-listed aviation training and simulation company serving the civil and defense sectors.

Education

Peg has a Bachelor's Degree from Embry Riddle Aeronautical University and a Master's Degree in Engineering – Aerospace from California State University Long Beach.

Peg has led a distinguished career while operating in a rapidly changing technology-led sector, during a period of significant growth. Her relevant experience makes her an ideal candidate for HMC's board.

