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ELLIOTT'S LETTER TO THE SHAREHOLDERS OF HYUNDAI MOTOR GROUP

21 March 2019

Dear Fellow Shareholders of Hyundai Motor Group,

We write this letter in our capacity as significant shareholders of Hyundai Mobis Co., Ltd. ("Mobis" 012330:KS), Hyundai Motor Company ("HMC" 005380:KS), and Kia Motors Corporation ("Kia" 000270:KS), collectively referred to herein as "Hyundai Motor Group," "HMG" or the "Group." As one of the largest independent shareholders in HMG, we are writing to reiterate the case for change at Hyundai Motor Group.

At this moment, on the eve of the Group's 2019 Annual General Meetings ("AGMs"), we thought it appropriate to look back at the last year at HMG. Change has not come fast enough, and it has not come on a scale commensurate to the Group's issues. Nonetheless, HMG shareholders – who one year ago faced the prospect of a deeply unfair and value-destructive restructuring – have not only avoided that fate, but also have a genuine choice between the unsustainable status quo and real change in the areas of capital management and corporate governance.

Over the course of the intervening year, we have been pleased to observe a growing consensus on the need for real, lasting change at the Group. Korean leaders have made clear that chaebol reform is an urgent priority, as the governance problems within these complicated corporate structures impose substantial costs on a number of stakeholders. Many HMG shareholders, who have suffered years of underperformance, have added their voices to the calls for change.

Given our substantial stake in the Group's future, we sought to forge constructive change, sharing our perspectives and commissioning independent studies to help the Group realize its full potential. Our efforts recently resulted in constructive exchanges with the Group, and as many commentators have noted, this marked the senior management's willingness to finally communicate with shareholders in a more constructive and open manner. Although we were disappointed by the Group's resistance against adopting the necessary measures to address the serious problems at a more fundamental level, we still believe the process was constructive. This was evidenced by the Group's announcement of some incremental yet positive steps after the submission of our AGM resolutions in mid-January.

This brings us to tomorrow's AGMs at Mobis and HMC. These shareholder meetings – and the fact that solutions are actually on the ballot – provide the best evidence yet of the slow but serious progress that has been made over this past year. We hope the AGMs provide the opportunity for a fresh start, opening a new chapter in the Group's history with a commitment to good governance and value creation. In this letter, we provide further detail about the opportunities ahead for HMG – both at tomorrow's AGMs and into the future.

HMG's Proud History Threatened by Status Quo

Poor Governance Leads to Bad Decisions

Since the turn of the century, HMG has largely enjoyed sustained success. From a tier 3 car manufacturer, HMG has operationally caught up to Japanese and American competitors to become a respected household brand, in Korea and around the world. HMC now manufactures over seven million units globally and, alongside Kia, employs over 200,000 people worldwide. It is the 4th largest car manufacturer in the world.

But plagued by governance issues and with little mechanism available for holding management accountable, the Group has suffered a period of underperformance starting in September 2014, when HMG announced the acquisition of KEPCO land for KRW 10.6 trillion, paying an eventual price tag closer to KRW 13 trillion with taxes and social contributions applied. Since the deal was announced, HMC's share price has fallen by 43%, and Mobis's has fallen by 24% compared with the KOSPI's +6%. Neither share price has recovered.

The KEPCO land acquisition was part of an unfortunate trend of value-destructive, non-core projects enabled by poor corporate governance. These included the KRW 5 trillion acquisition of a 34.9% stake in Hyundai E&C in 2011 undertaken at a 58% premium to its share price at the time, as well Mobis's KRW 200 billion investment in Green Cross Life in 2012, of which the Group has since ceded control to Fubon Life Insurance Co after years of losses.

It is the minority shareholders who have suffered the most from these mistakes, as well as the countless numbers of investors whose pensions and savings are tied to the fortunes of Hyundai Motor Group. **NPS for example, assuming static shareholding, would have lost KRW 2.0 trillion in HMC, and KRW 800 billion in Mobis over the past 4.5 years.[1]**

Competitors Accelerate Ahead

Unfortunately, while HMG was wasting capital on ill-timed real estate and non-core asset investments, the Group's competitors have been accelerating ahead with governance improvements and capital-return policies. Toyota has returned JPY 5.9 trillion to its shareholders in the form of dividends and buyback over the last five years, or 31% of its current market capitalization, while GM has committed to a gross cash ceiling of USD 18 billion, with a promise to return excess cash to shareholders, including a USD 4.5 billion buyback in 2017. Fiat Chrysler also announced a EUR 2 billion special dividend, 10% of their current market capitalization, from selling Magneti Marelli. All these competitors have meaningfully outperformed HMC, with Toyota outperforming by 49%, GM by 55% and FCA by 229% since the land purchase.

Sadly, HMG has been left behind on corporate governance by comparable groups in Korea. By taking decisive steps to reform their corporate structures and shareholder-return policies, HMG's

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[1] Based on NPS's current shareholding in HMC (18,588,077 shares) and Mobis (9,742,850 shares)

peers have left Hyundai Motor Group as the last major corporate group in Korea with an unreformed legacy shareholding structure and no plan to address it.

The Year in Review: False Starts Give Way To Incremental Progress

Building a Consensus for Change

Although Elliott had been a shareholder within the Group long before restructuring was announced, when HMG announced its plan last year, we felt compelled to speak out. The plan was **widely recognized as inefficient and value-destructive**. The proposed terms of a spin-off and merger did not ascribe fair value to Mobis's module manufacturing and after-sale parts businesses. Management's plan offered the wrong solutions to corporate governance problems, while its proposals offered no solutions to fix the Group's overcapitalization issues.

In the aftermath of the plan's release, shares in Mobis dropped by 7% as market commentators and members of the investor community lined up to criticize the deal.

It was against this backdrop that we published a shareholder-value-oriented alternative in the form of the Accelerate Hyundai Proposals in April of 2018.[2] Informed by significant input from stakeholders and industry experts, we advocated for the establishment of a Restructuring Review Committee, to tackle the issue of corporate governance in a transparent and collaborative manner. We proposed a focus on optimizing the balance sheet by reducing net cash positions and increasing current payout ratio, and we proposed the addition of new independent directors to improve the diversity and breadth of international experience on HMG's boards.

While HMG did not take the value-creative steps, it did withdraw its proposed restructuring plan in the face of broad shareholder opposition, creating more time for a consensus for change to emerge.

We continued to advance the discussion on these issues throughout the year, and in November of last year we published a full and independent analysis of HMG's capital structure provided by Conway MacKenzie.[3] The report confirmed much of what had been communicated to HMG before, but underlined the Group's severe overcapitalization (ranging from KRW 8 to 10 trillion at HMC and KRW 4 to 6 trillion at Mobis), past questionable uses of cash flow, and below-industry-standard shareholder returns as key problems to be addressed.

Initial Reluctance Gives Way to Engagement

Unfortunately, HMG's management initially resisted Elliott's efforts to engage in productive dialogue, all while value continued to be destroyed. HMC's share price fell by 21%, and Mobis by 26% in 2018 alone. We eventually made the case for the necessary change at HMG. However, in light of the limited progress, as well as the growing significance of the problems facing the Group,

[2] To revisit the proposals, visit https://www.acceleratehyundai.com/content/uploads/2018/04/20180423_Presentation_ENG.pdf
[3] To revisit the independent analysis, visit https://www.acceleratehyundai.com/content/uploads/2018/11/2018-11-13-FINAL-Conway-MacKenzie-Report-Eng.pdf

we submitted shareholder resolutions on 18 January 2019 to put the case directly to all shareholders.

Incremental progress from the Group only materialized after we submitted these resolutions. Mobis announced a KRW 1 trillion buyback over the next three years, but HMC failed to even take modest steps to reform. While a small step in the right direction for one part of the Group, HMG's management has not taken the necessary measures to match the scale of the Group's issues.

Tomorrow's AGMs: The Choice Facing HMG Shareholders

Solutions Must Match the Scale of the Problems They Seek to Address

We continue to believe that HMG can only fully recover by i) right-sizing the Group's balance sheets and ii) bringing the Group's respective boardrooms in line with international best practices for independence, experience and diversity.

Throughout our efforts to communicate the need for change at HMG, market commentators and industry experts have overwhelmingly agreed on the need for reform at HMG. Our resolutions to be voted upon by all shareholders on March 22 demonstrate the scope of reform required to address Hyundai Motor Group's performance challenges:

- We have proposed the **approval of dividends at Mobis and HMC** that would right-size the balance sheets of these companies, imposing discipline on capital allocation while leaving ample cash balances for future investments.
    - On capital return, **leading proxy advisory firms, market analysts and commentators all agree that HMG's overcapitalized balance sheets need to be right-sized.** (See Appendix A for a series of supportive commentary on HMG's over-capitalization problems.)
- We have nominated **two and three highly qualified independent director candidates at Mobis and HMC, respectively,** to bring a greater diversity of experiences and skill sets to these boards, and we have proposed the **establishment of Compensation and Governance Committees at Mobis and HMC**, among other governance improvements, to bring corporate governance in line with international best practices.
    - Over the course of the last few weeks, we have also seen the emergence of a consensus view that **HMG is in need of governance reform**, not only to bring its boardrooms in line with international best practices, but also to **ensure accountability for shareholders and stakeholders alike**. (See Appendix B for a series of supportive quotes on and Elliott's proposals to fix HMG's governance issues.)

In sum, **a consensus has formed that the status quo at Hyundai Motor Group is no longer acceptable.** Market participants and shareholders are confused by HMG's lack of strategy and communication. By contrast, efforts to increase accountability and enact necessary reforms at

HMG are being welcomed by market participants. (See Appendix C for a series of supportive commentary on the need for change at Hyundai Motor Group.)

A Clear Contrast

The shareholder proposals to be voted upon at the March 22, 2019 AGMs at Mobis and HMC represent tangible, actionable alternatives to the status quo. Our proposed independent shareholder nominees are truly independent, bringing diversity and relevant industry experience to HMG's boards. Our proposed dividends will result in a more efficient Group, requiring management to make prudent investment choices. These proposals have already advanced the cause of improved performance and governance at HMG by generating widespread calls from important stakeholders for more change to come faster. As recently noted by FTC Chairman Kim Sang-jo, this moment represents a turning point in attitudes to corporate governance in Korea.

By contrast, the Group has nominated directors with limited public-company experience, with "independent" nominees who have seemingly already subscribed to management's views on key issues such as capital return. Meanwhile, management presses on with preparations to spend KRW 5-6 trillion on a new headquarters.

At HMC, an announced investment and capex plan which doubles historical annual spending, while targeting 7% OP margin and 9% ROE, has been criticized by ISS as "challenging" and "difficult to attain." Meanwhile, regarding Mobis's "aggressive" spending plans, Glass Lewis noted, "It may be the case that a large return of capital to shareholders, by way of dividends or share buybacks would prove more beneficial to shareholders."

On both capital allocation and governance, **it is clear that a vote for management's candidates and its proposed resolutions is a vote in support of the unsustainable status quo.**

Today, we urge all shareholders to send an unambiguous message to the Group in support of good governance and accountability, and to state unequivocally: The status quo is not acceptable – **change must come to HMG**.

The Prospects for a Brighter Future at HMG

It is our view that a consensus has formed around the principles underlying our proposals for HMG. Increasing support for accountability and reform, not just at HMG but also across the corporate landscape in Korea, represents a win for responsible corporate stewardship and shareholder accountability.

Over the past year, ever since HMG's restructuring attempt was withdrawn, we have sought to constructively advocate for the reforms that the Group requires. It is clear from the growing consensus among respected commentators and market participants in response to those proposals that the bar has been raised for any future restructuring. We are pleased to have been one voice among many to help secure the long-term financial sustainability of HMG, and we look forward to engaging more productively with the Group to make further headway.

To accelerate this progress, and to put these voices into action, **we urge our fellow shareholders to support all of the shareholder proposals at the HMC and Mobis AGMs on 22 March to right-size the Group's balance sheets while improving governance and accountability.**

We appreciate the time and attention that all shareholders have devoted to this effort, including giving the shareholder proposals careful consideration. Now it is time for all shareholders to cast their votes, bring about the needed changes, and create value at Hyundai Motor Group.

Sincerely,

Elliott Advisors (HK) Limited

Appendix A

Capital Allocation

"… we broadly agree with Elliott that: (i) Hyundai Mobis is indeed significantly overcapitalized relative to auto parts peers; (ii) the excess and as of yet underutilized capital is dragging down returns on equity and total shareholder returns; and (iii) **Hyundai Mobis could likely return trillions more of capital to shareholders on an accelerated timeframe** than it has currently proposed while still leaving the Company well positioned financially to weather any downturn, meet liquidity needs, fund R&D initiatives and pursue M&A transactions, among other cash and liquidity requirements."

"We're also sympathetic to Elliott's view that the announced buyback program, while a step in the right direction, seems relatively small when compared to the Company's net cash position and other spending priorities. **Furthermore, the Company's three-year time horizon for the total KRW 1 trillion share buyback program seems underwhelming to us**."

"In our view, the Hyundai Mobis management team and a refreshed board of directors will be well equipped to oversee the Company's business and financial plan going forward, with **particular emphasis on capital allocation** and investment discipline as the Company embarks on a multi-year period of significant investment within the evolving auto industry.

We would encourage the refreshed board to **seriously consider making additional significant returns of capital to shareholders** as a key component of this plan."

(On Mobis) Glass Lewis, March 12, 2019

"[T]he company's track record in capital allocation is **not comforting**,"

(On Mobis and HMC), ISS, March 11 2019

"The only new news, we think, was the share buyback amount increasing to KRW1tn (4.8% of market cap) from KRW188bn previously. **However, this will be done over the next three years (annually 1.6% of total shares if the buybacks are evenly distributed) and timing of the share buybacks are not confirmed**."

Nomura, February 26, 2019

"Mobis is sitting on $6.6 billion of net cash. **Its proposed 2 percent divided yield is lower than the average at South Korea's top companies**, CLSA analysts reckon, as well as at rivals such as Japan's Denso."

(On Mobis) Robyn Mak, Reuters: Reckless Steering, February 27, 2019

“**That still leaves a stash of cash on the table**: The company had net cash of 7.4 trillion won at the end of 2018. Over the next three years, it plans to hold a “contingency cash reserve” of 3.5 trillion won and spend 4 trillion won on futuristic growth plans including 200 billion to 400 billion won of equity investments in new tech startups (read: 5G, sensors, biometrics, hydrogen fuel cell, etc.) and 3 trillion to 4 trillion won of M&A.”

“All in all, the returns are **incremental at best**.”

Anjani Trivedi, Bloomberg: Hyundai’s Latest Plan Lacks That New Car Smell, February 27, 2019

“**The two companies do have a lot of surplus cash**: Mobis’s net cash comes to $6.6 billion, around a third of its market value.”

Jacky Wong, The Wall Street Journal: Elliott’s Slow-Burn Proxy War With Hyundai, February 27, 2019

“Hyundai Motor’s payout ratio has **lagged behind peers** such as Daimler and Ford”

FT Lex: Hyundai/ Elliott: Gangnam Trial, February 27, 2019

“Again, though, (Glass Lewis) noted that “it remains to be seen whether the company will generate sufficient returns on such spending.” The adviser even went on to say that a large return of capital to shareholders might “prove more beneficial.” **The trouble is that Hyundai needs deep surgical changes, as we’ve written, not more spending with limited or no returns in the foreseeable future.”**

Anjani Trivedi, Bloomberg: Pity South Korea for Elliott's Hyundai Setback, March 19, 2019

Appendix B

Corporate Governance

"Nominees nominated by both HMC and Elliott are **highly qualified as an individual candidate"**

Fair Trade Commission (FTC) Chairman Kim Sang-jo, March 17, 2019

"…based on our analysis and definition of independence, we find that the board, as currently composed and sized, **does not have a sufficient number of independent directors**, with only four directors out of nine meeting our standard for independence."

"…we view Elliott's proposals to (i) expand the board from nine to 11 directors and (ii) elect two additional independent director nominees who have significant and relevant industry experience in areas in which the Company is focused and intends to invest and grow in the near future, represent a significant opportunity for shareholders to support the further enhancement of the composition of the board of directors, thereby improving Hyundai Mobis' oversight, accountability and governance, **which we believe increases the likelihood of maximizing investor returns and shareholder value going forward**."

(On Mobis), Glass Lewis, March 12, 2019

"The election of two dissident nominees -particularly candidates with relevant leadership and industry experience, as well as a background in technology and innovation - **would provide added expertise, outside prospective, and a greater sense of responsiveness to shareholder concerns**. Their election could further strengthen the company's corporate governance by increasing board independence and oversight."

(On Mobis), ISS, March 11 2019

"**[A] reconstituted board might be better able to assess** the real capital needs and determine an appropriate level of returns to shareholders going forward."

(On Mobis and HMC), ISS, March 11 2019

"The board's ratio of independent directors, and its size, is **below global peers**."

Anjani Trivedi, Bloomberg: Hyundai's Latest Plan Lacks That New Car Smell, February 27, 2019

"Elliott's proposal would have put the Hyundai companies on par with international peers, **an objective the group has set for itself**."

Anjani Trivedi, Bloomberg: Pity South Korea for Elliott's Hyundai Setback, March 19, 2019

Appendix C

Needed Change

"Players in the Korean capital market now have a different mindset and I believe local businesses are reaching a tipping point. While they have already operated globally, **they had to face a policy-driven change along with an unexpected accelerator, like Elliott, gaining momentum to the current speed of change."**

"This year's shareholder meeting season clearly demonstrates that the corporate governance of local businesses is **now being in line with the latest and global trends"**

Fair Trade Commission (FTC) Chairman Kim Sang-jo, March 17, 2019

"We believe that **the company needs to provide more details** for investors to have a conviction on these aggressive targets."

"We are **not clear** about the overall R&D/investment burden of this plan for Hyundai in the near-term."

"Management **did not clarify** on investor queries over the viability of fuel cell economy"

Nomura, February 28, 2019

"There were **no aggregate volume targets** in the plan."

Deutsche Bank, February 27, 2019

"If the younger Chung really wants to show he's heralding a new era, it's worth making a bolder statement. Even if Mobis's latest resolutions get passed in March, investors shouldn't get too excited. Meeting shareholders like Elliott in the middle will be key to showing change is actually afoot. But what matters most is delivering on the group's larger and more difficult restructuring. **So far, it's looking like more of the same**."

"Hyundai Mobis Co.'s latest plan brings to mind one image: **a damp squib. Again**."

Anjani Trivedi, Bloomberg: Hyundai's Latest Plan Lacks That New Car Smell, February 27, 2019

"…the Hyundai campaign will test **whether Korea has made strides in becoming more welcoming toward activist investors** — as <u>promised</u> by the government"

Heejin Kim and Scott Deveau, Bloomberg: It's Singer vs Hyundai Part II as Activist Launches Proxy Fight, February 27, 2019

"South Korean companies, notorious for low dividends and cash hoards, are becoming more generous. **Thank activists and changes in corporate governance for it."**

"Pressured by Singer's Elliott Management Corp., Hyundai Motor Group and its subsidiaries have announced shareholder returns including buybacks and dividends. And for the first time, the company recently hosted a conference where executives actively communicated with investors, Kim Jin-Woo, an analyst at Korea Investment & Securities, wrote in a note entitled **'Now we can finally communicate with them.'**"

Heejin Kim, Sohee Kim, Bloomberg: Korea Traders Can Thank Activism for Newfound Corporate Largesse, March 6, 2019

"A united front would have helped push the seemingly indomitable chaebol to open up, setting an example for others and **holding out the prospect of higher returns in a market that's weighed down by the power of entrenched interests**."

Anjani Trivedi, Bloomberg: Pity South Korea for Elliott's Hyundai Setback, March 19, 2019