



Elliott Discloses Letter to Shareholders of Hyundai Mobis

Puts forward new directors, special dividend for vote at the Company's Annual General Meeting on March 22, 2019

Full Letter Available at <http://www.acceleratehyundai.com>

HONG KONG (February 27, 2019) – Elliott Advisors (HK) Limited, which advises various Elliott-affiliated funds (together “Elliott”), today publicly issued a letter to all shareholders of Hyundai Mobis Co., Ltd. (“Mobis” or the “Company” 012330:KS).

In the letter, Elliott detailed the case for the shareholder resolutions that it has put forward for consideration at the Company’s Annual General Meeting on March 22, 2019. These resolutions are designed to both transform governance and right-size the Company’s over-capitalized balance sheet.

The full letter to shareholders can be found at: <http://www.acceleratehyundai.com>

Text of the full letter below:

27 February 2019

Dear Fellow Shareholders of Hyundai Mobis,

We write this letter in our capacity as significant shareholders of Hyundai Mobis Co., Ltd. (“Mobis” or the “Company” 012330:KS). In addition to our investment in Mobis, we are also significant shareholders of Hyundai Motor Company (“HMC” 005380:KS), as well as Kia Motors Corporation (“Kia” 000270:KS), which collectively with Mobis are referred to herein as “Hyundai Motor Group,” “HMG” or “the Group.”

As one of the largest independent shareholders in Mobis, we are writing to detail the case for the shareholder resolutions we have put forward for consideration at the Mobis Annual General Meeting (“AGM”) on 22 March 2019. These resolutions are as follows:

- **Shareholder Resolution A (Agenda No. 2-2)**: The approval of financial statements for FY2018 at Mobis that reflect dividends of KRW2.5 trillion for common voting shares of Mobis, representing KRW26,399 per share. If passed, shareholders would receive a one-time dividend equivalent to 12% of Mobis’s current stock price.
- **Shareholder Resolution B (Agenda No. 3-2)**: The expansion of the Board size from its current membership of 9 to 11 directors.

- **Shareholder Resolution C (Agenda No. 3-3)**: The establishment of Compensation and Governance Committees at Mobis.
- **Shareholder Resolution D (Agenda No. 4-1-3 and 4-1-4)**: The nomination of two (2) highly qualified independent director candidates (the “Independent Shareholder Nominees”).
- **Shareholder Resolution E (Agenda No. 5)**: The nomination of the independent director candidates for the Company’s Audit Committee.

As Mobis shareholders, your support for these resolutions is vital to our shared goal of improving the governance and performance of the Company that we all collectively own.

We are therefore asking today for all shareholders to support these landmark resolutions, which are designed to both **transform governance** and **right-size the Company’s overcapitalized balance sheet**.

Background

Nearly a year has passed since HMG withdrew its restructuring plan. Over the past year, we along with many of our fellow shareholders have expressed publicly and privately the need for a more comprehensive plan that seriously and expeditiously addresses the governance and capital-management issues responsible for the Company’s continued share-price underperformance.

The problems facing HMG and Mobis are well-known but important to highlight in the absence of sufficient corrective action from management. Against its peers, Mobis continues to underperform significantly (by 50% vs. the KOSPI and 54% vs. its peers in the last five years) and as a result, has seen a considerable amount of shareholder value destroyed. Company valuation remains meaningfully depressed, trading at a remarkable discount of up to 67% vs. KOSPI and up to 56% vs. peers.

Over the past year, we have sought to enter into constructive dialogue with the Board to find common ground to resolve these issues. Informed by exhaustive research, expert analysis and, importantly, extensive dialogue with other stakeholders, our emphasis has been to advise management at HMG and Mobis to take action on the following critical issues to rectify the Company’s persistent underperformance:

- **HMG and Mobis must return substantial excess capital to shareholders.** As identified in Conway MacKenzie’s Independent Analysis, both HMC and Mobis have net cash positions that vastly exceed their respective peers. Mobis’s net cash balance of KRW 7.4 trillion as of 2018 far exceeds auto parts peers by KRW 4-6 trillion. Affiliates of HMG have been mismanaging these funds, investing in questionable projects that have only heightened the alarm and frustration of shareholders as well as the markets.

- **Corporate governance at HMG and Mobis must be brought in line with international best practices.** New independent directors are needed in Mobis's boardroom to provide diversity, depth of experience, and fresh perspectives to the Company's decision-making processes. The Audit Committees in particular are in need of greater independence. At the same time, establishing new Compensation and Governance Committees would improve the alignment between Mobis's Board and its shareholders now and into the future, allowing Mobis to attract the independent talent befitting a global Company of its stature.

While it has always been our strong preference to engage proactively with the Group's management and advisors in an effort to advance solutions, our efforts at dialogue only recently gave way to constructive exchanges. Over the past several months, we worked tirelessly to build consensus and find pathways forward that would properly address the balance sheet and governance problems preventing HMG and Mobis from realizing their full potential.

Mobis 2019 Annual General Meeting Agenda

While our efforts at dialogue did not produce an acceptable, mutually supported path forward on all the relevant issues, we are nevertheless pleased that within today's 2019 Annual General Meeting agenda, the leadership of HMG and Mobis have put forward a number of small but incrementally positive proposals. The Company's resolutions, while steps in the right direction, do not go far enough.

The recently announced buyback of KRW1 trillion represents a positive first step by Mobis, but we firmly believe more must be done to correct the Company's severe over-capitalization. This share buyback must be accompanied by a substantial one-time dividend in order to reduce gross cash balance to a responsible level.

Likewise, we commend the Mobis leadership team for putting forward two new independent directors. However, the Company appears unwilling to make the spaces available on the Board for a sufficient number of new independent directors, such as the two highly qualified and independent candidates put forward by Elliott for shareholder consideration.

As a result of our engagement, the AGM now offers the potential for real and sustainable solutions to the Company's problems. With respect to the Company's balance sheet and governance problems, we believe that our proposed shareholder resolutions build on the proposals that the Company announced by offering solutions commensurate to the scale of the problems. Only in combination with the proposed shareholder resolutions can Mobis properly get back on track.

Shareholder Resolutions in Detail

We are urging all Mobis shareholders to send a clear and compelling message to the Board, and to help drive the necessary reforms at Mobis, by supporting the following resolutions at the AGM planned for 22 March 2019.

Shareholder Resolution A (Agenda No. 2-2): The Payment of Dividends

Mobis has been way overcapitalized for too long, dragging down returns while allowing for the funding of value-destructive non-core projects that further damage Company performance and reputation.

The Company's overcapitalization has dragged down returns, which stand at an industry low of 6.3% of ROE. Concerns continue to be raised by shareholders that any remaining excess capital will be used to fund non-core projects, as has happened repeatedly in the past.

Elliott therefore proposes that shareholders approve financial statements for FY2018 at Mobis that reflect dividends of KRW2.5 trillion for common voting shares of Mobis, representing KRW26,399 per share and 12% of the share price.

This plan would still leave **over half** of the excess capital on the balance sheets of Mobis while beginning the process to bring its net cash level in line with industry peers. Combined with Mobis's strong free cash flow generation, the remaining net cash balance will be more than sufficient for cash reserve and future investment needs.

Taken together, both the Company's proposed buyback and the shareholder resolution will put the Mobis balance sheet on stronger footing.

Shareholder Resolution B (Agenda No. 3-2): Expansion of the Board Size to 11

Expansion of the Company's board size will not only bring it in line with HMC, but will also be critical in enabling a more diversified and independent Board to ensure better governance.

A renewed focus on corporate governance should start at the top, by improving the diversity, expertise and independence of the overall board structure. **We strongly urge shareholders to support expanding the Board to 11 members, which will enable an uncontested nomination of all four independent directors proposed by both Mobis and Elliott.**

Shareholder Resolution C (Agenda No. 3-3): The Establishment of Compensation and Governance Committees at Mobis

Two new sub-committees will champion shareholder rights and corporate transparency.

We seek to create two sub-committees in the articles of incorporation of Mobis: a Director's Compensation Committee and a Corporate Governance & Communication Committee, by amending articles of incorporation of the Company. These are standard sub-committees common already to most Korean and international companies, yet are conspicuously absent from the Company's current corporate constitution.

- A Director's Compensation Committee would establish compensation schemes that are transparent and commensurate with directors' experience and performance, reasonable

with domestic and international best practice. Crucially, the committee would also ensure independent directors were not financially punished, by ensuring their compensation was properly aligned with the market.

- *A Corporate Governance and Communication Committee* already exists, but hasn't yet been formally incorporated into the Company's AOI. The Committee would protect the corporate value of Mobis as well as the interests of the shareholders in the long term.

We therefore urge shareholders to join us in supporting the creation of these two sub-committees as an essential step forward in improving corporate governance at Mobis. We would envision that the new Independent Shareholder Nominees would also serve on these new committees to ensure independence and accountability.

Shareholder Resolution D (Agenda No. 4-1-3 and 4-1-4): The Nomination of Highly Qualified Independent Director Candidates

The last year has shown that independent directors, accountable to shareholders, will be crucial in achieving real corporate governance reform at Mobis.

Elliott has nominated two independent directors at Mobis, both with significant and relevant industry experience. The addition of these new directors in conjunction with the expansion of the board size (Agenda No. 3-2) would grow Mobis's Board to 11 from the current 9. These independent directors will represent all shareholders.

The two nominees for Mobis we are nominating are (*see Appendix A*):

- **Rudolph ("Rudi") von Meister:** a global automotive executive with more than four decades of relevant experience across Asia, Europe and the Americas.
- **Robert ("Bob") Kruse:** Chief Technology Officer of Karma Automotive, a US-based luxury vehicle manufacturer.

On the condition that shareholders approve the expansion of Mobis's board size to 11, Elliott would also support the two independent directors as proposed by the Board.

Shareholder Resolution E (Agenda No. 5): The Nomination of the Independent Shareholder Nominees for the Company's Audit Committee

Effective independent leadership is vital in keeping management focused while avoiding further financial mismanagement and irresponsible investment behavior.

Mobis's audit committee is required by law to perform key roles in ensuring the Board fulfills its fiduciary responsibilities. It also oversees the Company's financials and directors' performance of duties, and investigates, where necessary, illicit financial behavior on the Board and within management.

It is therefore extremely important that the audit committee be comprised of truly independent members, dedicated to conducting their roles in an unbiased and transparent manner while remaining faithful to all shareholders.

We therefore urge shareholders to join us in supporting both of the Independent Shareholder Nominees to serve on the audit committee.

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By right-sizing the balance sheet and adding diverse and independent directors to allow for proper shareholder accountability, Mobis can fulfill its true potential as an industry leader and financial steward.

As ever, we remain open to ongoing dialogue with the Company, specifically on capital allocation and governance. Should new solutions be offered that adequately address the scale of the balance-sheet and governance issues at Mobis, we would consider amending our resolutions. As things stand, however, we strongly believe that these reforms are necessary for the safeguarding of the Company's future prosperity.

We urge our fellow shareholders to support these resolutions, and we remain available to discuss our proposals and approaches in further detail.

Sincerely,

Elliott Advisors (HK) Limited

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Appendix A

Biographies of Elliott's Independent Director Nominees

Elliott Proposed Independent Nominee:

Rudi von Meister

Rudi is a global automotive executive with more than four decades of relevant experience across Asia, Europe and the Americas.

- Rudi was most recently the President for Asia-Pacific for ZF Friedrichshafen AG from 2014 through 2017 where he managed more than 8000 employees, in 37 manufacturing locations that generated \$3.6 billion in revenue.
- Prior to that, Rudi was the President of China for Navistar from 2011 through 2013, leading its joint venture relationships with Chinese stakeholders.
- From 2007 to 2011, Rudi led business development activities for Iveco Trucks, part of the Fiat Group, and from 1993 to 1997 he led the development of Delphi's various joint ventures in China as Vice President and Chief Representative.

- Rudi also spent more than two decades in a variety of roles with General Motors and oversaw the integration of a number of GM joint ventures, including GM and Daewoo.
- Rudi has a Bachelor's Degree from University of Pennsylvania and an MBA from Columbia University.

Elliott Proposed Independent Nominee:

Robert (“Bob”) Kruse

Bob Kruse is a leading automotive technology expert and executive with more than four decades of relevant experience.

- Since 2017, Bob has been the Chief Technology Officer for Karma Automotive following two years in the same role for Qoros, a Chinese luxury automotive OEM.
- From 2010 to 2016, Bob held senior executive and board roles at a number of start-up electric vehicle companies.
- Prior to that, Bob spent nearly four decades at General Motors, leading teams across the company's marquee brands, and led General Motor's electric vehicle powertrain efforts that resulted in its first Chevy Volt model.
- Bob was appointed to President Barack Obama's National Academy of Science Sub Committee on advanced battery technology in 2010.
- Bob earned his Bachelor's Degree in electrical engineering from University of Missouri and his Master's Degree from Massachusetts Institute of Technology (MIT).

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About Elliott

Elliott Management Corporation manages two multi-strategy funds which combined have more than \$34 billion of assets under management. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it one of the oldest funds of its kind under continuous management. The Elliott funds' investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, and employees of the firm. Elliott Advisors (HK) Limited is an affiliate of Elliott Management Corporation. With a strong understanding of the Korean market and corporate structures, Elliott has a history of successfully enhancing shareholder value in Korea.

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