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HYUNDAI MOTOR COMPANY

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Contents

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LATEST FINANCIAL ANNOUNCEMENT

Hyundai

Hyundai - Hyundai Motor Announces 2016 1H Business Results - 26/7/2016

- Hyundai Motor sells 2.39 million units worldwide in the first half of 2016
- Sales revenue and operating profit totalled KRW 47.03 trillion and KRW 3.10 trillion, respectively
- Company to improve 2H business results by boosting sales of SUVs, newly launched IONIQ and luxury brand GENESIS models

July 26, 2015 - Hyundai Motor Company, South Korea's largest automaker, today announced its business results for the first half of 2016. Sales volume and operating profit declined from the same period last year due to export decrease as well as weak currencies and economic recession in emerging markets.

For the first six months of 2016, sales revenue increased 7.5 percent to KRW 47.03 trillion (auto: 36.66 trillion / finance and others: 10.37 trillion) from a year earlier owing to sales increase of SUVs and GENESIS models. Operating profit fell 7.0 percent to KRW 3.10 trillion and net profit showed a 6.4 percent decrease to KRW 3.53 trillion.

Hyundai Motor Company's cumulative global sales for the first six months totalled 2,393,241 units (Korea: 350,006 / overseas: 2,043,235), a year-on-year decrease of 0.9 percent. Slowing growth in emerging markets and impact from currency fluctuations have been the main culprit for the global sales drop.

In the second quarter alone, sales revenue posted KRW 24.68 trillion with global sales of 1,285,860 units and operating profit increased 0.6 percent to KRW 1.76 trillion, from a year earlier.

Hyundai Motor forecasts that an unfavorable business environment is likely to continue in the second half. In particular, the company anticipates further uncertainties in business conditions after the BREXIT referendum which took place last month.

Nevertheless, Hyundai Motor will continue its effort to focus on strengthening competitiveness and product quality in the global automotive market. To do so, Hyundai Motor is planning to boost sales with SUVs and strategic models. In addition, Hyundai Motor will strengthen growth momentum with the luxury brand GENESIS models, G90 and G80, and further develop state-of-the-art technologies within new models such as the IONIQ which is offered in three eco-friendly powertrain (Hybrid, Electric, Plug-in Hybrid).

Hyundai Motor will continue its cooperation with suppliers and actively carry out more values to customers and stakeholders alike. Hyundai Motor also strives to build a more shareholder-friendly environment by increasing transparency and shareholder's value.

http://worldwide.hyundai.com/WW/Corporate/News/News/DF_WW_GLOBALNEWS_160726_2.html?selx2=

COMPANY PROFILE

Hyundai

Hyundai is one of two automotive brands owned and operated by the Hyundai Kia Automotive Group that operates in the US, the other being Kia. The Korean company entered the US market in 1986 with the Excel, which sold well but established a poor reputation for quality. Quality concerns were addressed with the introduction of the industry's longest powertrain warranty. Hyundai has also expanded its lineup to include larger cars, luxury vehicles, sports cars, CUVs and SUVs.

http://worldwide.hyundai.com/WW/Main/index.html

COMPETITORS

CT&T United

CT&T United is the world's largest manufacturer of battery electric vehicles including the eZone Medium Speed Vehicle and cZone low-speed vehicle based in South Korea. The CT&T eZone is the only electric vehicle of its type to pass the international crash test for passenger vehicles.

http://www.ctnt.co.kr/default/index.php

General Motors Korea (NYSE:GM, TSX: GMM)

GM Korea Company is Korea's third-largest automotive company, and represents one of GM's largest manufacturing, design and technology hubs. With headquarters in Incheon, Korea, it manufactures a family of vehicles and power trains for the Korean and global market. GM Korea employs about 17,000 people worldwide in its core automotive business.

http://careers.gm.com/worldwide-locations/asiamiddle-east/korea.html

KIA (KS: 000270)

Kia Motors Corporation was founded in May 1944 and is Korea's oldest manufacturer of motor vehicles. From humble origins making bicycles and motorcycles, Kia has grown – as part of the dynamic, global Hyundai-Kia Automotive Group – to become the world's fifth largest vehicle manufacturer.

http://www.kia.com/eu/company/kia-motors-corporation/

Oullim Spirra Motors

The Oullim Spirra is a sports car manufactured by Oullim Motors, a subsidiary of Oullim Networks. The designing, development and manufacture of the car are entirely done in Kyungi Do, South Korea. The company headquarters are located in Seocho Gu, just south of the Han River. It was co-founded in 2007 by former Ssangyong Motors designer Han-chul Park and Dong-hyuk Park, the founder and CEO of Oullim Networks.

http://beperfect1.godohosting.com/bbs/board.php?bo_table=Press

Renault Samsung

Renault Samsung Motors Co., Ltd. manufactures and sells automobiles and automobile parts in South Korea. The company was founded in 2000 and is headquartered in Busan, South Korea. Renault Samsung Motors Co., Ltd. is a subsidiary of Renault Group BV.

https://group.renault.com/en/our-company/

SsangYong (KRX: 003620)

Ssangyong Motor Company was incorporated on December 6, 1962, in the Republic Korea and listed its stocks on the Korea Stock Exchange in May 1975. The Company is headquartered at Dongsak-ro, Pyungtaek and its factories are located at Pyungtaek, Kyeonggi-do and Changwon, Kyeongsangnam-do, Republic of Korea. The Company manufactures and distributes motor vehicles and parts. Since its inception in 1954, the SsangYong Motor Company has become one of the leading automobile manufacturers of South Korea.

http://www.smotor.com/en/index.html

Tata Daewoo

Tata Daewoo Commercial Vehicle was established in March 2004 as an energetic and family-oriented company. Predicated on the corporate values of integrity, Customer Focus and Innovation, the company aims to become the most admired company in Korea by building on its accumulated technologies and customer confidence.

http://www.tata-daewoo.com/eng_new/about/about.php

Zyle Daewoo Bus Corporation

Since its establishment in 1955, Daewoo Bus has been specialized in the field of manufacturing large buses throughout the world. Especially, became an affiliated company of Young An, in 2003, Daewoo Bus has grown into a global bus manufacturer in its capacity of around 20,000 units per annum, which has 2 manufacturing plants in Korea and 7 overseas manufacturing plants and 15 KD (knock-down) worldwide partners.

http://www.daewoobus.com/newsite/HTML/bbs/list.php

THE INDUSTRY

Highlights

- South Korea's auto industry has rapidly grown from infancy to fifth largest producer.
- South Korea's auto industry appears to be operating with constant returns to scale.
- All of the auto industry inputs appear to be substitutes.
- Substantial rigidities appear to remain in the market for foreign-sourced inputs.
- Recently negotiated bilateral free trade pacts may challenge the auto industry

Abstract

Since 1962, South Korea has recognized the motor vehicle industry as a critical industry for economic development. The government has been closely involved in the industry's growth from infancy to its current position among the top five motor vehicle producers in the world. In its early years, the industry also gained technological knowhow through licensing agreements rather than investing heavily in research and development. The results of this study strongly suggest that the industry as a whole has achieved a minimum efficient scale of operations. However, cross price elasticity estimates indicate that many rigidities exist in the input markets, particularly with respect to outsourced intermediate products. The restrictions on imports of these products may have to be reduced as South Korea seeks to expand its global trade footprint by participating in bilateral preferential trade agreements, presenting challenges for the industry.

http://www.sciencedirect.com/science/article/pii/S1059056014000033

The Globalization of the Korean Automotive Industry

Of the many success stories of post-WWII industrialization, the creation of the South Korean (hereafter the Korean) automotive industry is perhaps the most remarkable. It is all the more so when one considers that the industry was created from almost nothing. However, contrary to popular belief in Korea, foreign auto firms and access to foreign markets played key roles in establishing the industry and, today, continue to maintain an ever-increasing role in ensuring its survival.

This study examines the history and growth of the Korean automotive industry. More importantly, it examines the extensive partnerships in Korea that have been forged between the domestic and foreign automotive industries. These collaborations have helped maintain Korea's success, and have been paramount to the development of its automotive sector.

http://www.econstrat.org/research/manufacturing-sector/218-the-globalization-of-the-korean-automotive-industry

The Free Trade Agreement (FTA)

The Free Trade Agreement (FTA) with South Korea was the first of the new generation of bilateral trade agreements concluded by the EU. Negotiations began in May 2007 and after eight rounds the agreement was signed in October 2009. The FTA was officially signed in October 2010 and has been in provisional application since 1 July 2011.

The automobile industry has asked the Commission to bring to the attention of the Korean authorities the various market access issues in South Korea that remain. The application of the Automotive Annex is subject to different interpretations and the Korean authorities remain reluctant to dismantle existing non-tariff barriers (NTBs). In the meantime, new barriers have emerged. ACEA believes that the European Commission needs to continue to actively monitor the application of this FTA.

Today, South Korea is the number one importer of cars into the EU in terms of units, representing a 21% share of EU imports. In terms of value, it comes in third place (behind the US and Japan).

Despite a shrinking EU market, Korean automobile imports into the EU are increasing year-on-year. In the first year of its implementation, South Korea exported just under 381,000 domestically -manufactured passenger cars into the EU; a figure which was up 41% from the same period one year earlier.

By contrast, over the same time frame South Korea imported over 80,000 European passenger cars, which represents an increase of 7%. EU exports to Korea are still limited to less than 8% of the total market share, and are made up almost exclusively of premium cars. ACEA considers the increase to be due to changing South Korean consumer demand, rather than the effects of the FTA itself. As a result, the Korean car market will remain difficult to access.

http://www.acea.be/industry-topics/tag/category/south-korea

Growing gains in South Korea

Production plants in South Korea are running at near capacity to meet global demand, but dealing with local unions is still proving problematic as the five in-country OEMs attempt to adjust production schedules. And considering the robust state of health of the South Korean automotive industry, it's hard to believe that four out of five of the same companies have filed for bankruptcy over the past fifteen years.

So while the long-time number one, Hyundai Motor (HMC), has always managed to stay clear of trouble, its smaller rivals Kia Motors, the former Daewoo Motor (now GM Korea), Samsung Motors (now Renault Samsung) and SsangYong Motor have all at one time or another collapsed into administration. While HMC's rivals are now all but unrecognisable from when they each started to claw their way out of receivership, so too is Korea's largest car manufacturer compared to where it was even five years ago. It's was almost a compliment when Toyota President Akio Toyoda stated that Hyundai-Kia is the one rival he watches more than any other.

Hyundai gained control of Kia in 1999, taking over from former minority partner Ford. Since then the company has steadily worked to integrate the firm into what is now the Hyundai Kia Automotive Group, where both companies set ambitious production and sales targets. HMC and Kia operate separate manufacturing plants in the home market but share platforms, powertrains and other major components where possible. In recent years Kia has even outsold the parent brand on occasion, but Hyundai looks set to remains the larger brand in the Korean market for the foreseeable future.

Expanding union power

The Pyongtaek plant of SsangYong Motor hit the headlines back in 2009 when a sit-in strike by workers turned violent. But this dispute was far from being an isolated event. Almost every Korean manufacturer has faced lengthy industrial action in recent years and the Korean Metal Workers' Union (KMWU) remains a powerful force.

The KMWU's most recent victory was having some 2,000 production workers and 500 white collar and maintenance workers at Renault Samsung's Busan plant join its ranks. The union has claimed that with Renault having invested heavily to triple annual production to the present 300,000 cars, workers have faced intense pressure to raise their productivity levels.

The union's local at RSM's Busan plant has recently pressed for and obtained unilateral agreements on annual wage increases and goals concerning units-per-hour and hoursper- vehicle. The local, however, also insists that wage increases have not matched those at other auto assembly companies, setting the scene for another showdown later in 2012. Following the KMWU's successful organizing of RSM's Busan workers in August 2011, each of Korea's vehicle manufacturers – Hyundai, Kia, GM Korea, SsangYong, Tata- Daewoo and Renault Samsung – is now affiliated to the KMWU.

Tear gas and riot police

Industrial disputes at Korean vehicle manufacturing plants are by no means unusual but such disruptions have taken a new turn, with the government sending in riot police in cases where management and union talks have ended in stand-offs. One such example was the raid in May last year of a factory owned by powertrain component supplier Yoosung Enterprise following a prolonged illegal strike. Some 3,000 specially trained police officers were sent into the plant, which is located 90km southwest of Seoul. The facility, which makes piston rings, is a vital link in the supply chain of Hyundai and Kia and had been the cause of production stoppages for both manufacturers, which they stated had cost them in excess of KRW2 trillion. As Yoosung controls 80% of the country’s piston ring market, even after the strike had been going only a few days, production of Hyundai and Kia diesel-engined models began to be affected. Not only is Yoosung the source of approximately 70% of the piston rings used in Hyundai and Kia vehicles, the company also supplies the same components to GM Korea and SsangYong Motor, as well as camshafts to Renault Samsung.

The police raids came after the Korea Automobile Manufacturers’ Association called for rapid government action, stating that a prolonged walkout would seriously damage the global competitiveness of the country’s carmakers

Korean EV production nears 1m units per annum

In August 2011, a consortium made up of Korea’s main manufacturers signed a framework agreement with the national government’s Ministry of Knowledge and Economy to commence large-scale production of electric vehicles by 2014. Previously, the firms had been working to a deadline of 2017, but extra funding from the Seoul government provided a new incentive to bring forward the ambitious plans.

Hyundai Motor leads the group of 43 firms, the combined aim of which is to pool resources in the fields of motor and battery manufacturing, together with power converters and the building of a series of recharging stations. The large suppliers in the project include Hyundai Mobis, LG Chem and SK Innovation, while C&S Technology and Wise Automotive are from the list of Tier 2 companies involved with the project. Tertiary education facilities such as the Korea Electronics Technology Institute, Seoul National University, KAIST and Sungkyunkwan University are also represented.

The Government in Seoul has established the new agreement as part of its large-scale funding for various projects under a so-called ‘Green Car’ investment project. As well as directing the efforts of manufacturers towards making more plug-in vehicles, the ministry says its main aim is to encourage R&D activities that seek to improve the performance and affordability of locally-built EVs. The government says it would like to see one million electric vehicles being manufactured in Korea every year from 2010, of which 700,000 would be exported. That’s an ambitious goal, especially in the context of where the country’s OEMs are right now. In short, only Renault Samsung has set out plans for double-digit production, though both Hyundai and Kia are working on plans for mass production of plug-in cars.

Hyundai ramping up EV bid Korea’s first EV to enter series production, albeit on a small scale, is the Hyundai BlueOn. The company revealed what it termed a production-ready, zero emissions vehicle, the i10 Electric, at the Frankfurt motor show in September 2009. This battery-powered version of the i10 city car was then unveiled in production form exactly one year later as the Hyundai BlueOn.

Powered by a 49kW motor and a 16kWh (SK Innovationsupplied) battery, the BlueOn promises a driving range of 100 miles (160km). The vehicle accommodates dual recharging cycles: a 220V household current which is slower but potentially advantageous if recharging is done during off-peak hours when utility rates are lower; and a 380V industrial-strength current which promises quicker recharging speeds. According to Hyundai, under the quick cycle, the battery can be recharged to within 80% of its capacity in just 25 minutes. Under the normal cycle using a 220V household current a 100% charge can be reached within six hours.

Hyundai has already supplied an initial 30 cars to government agencies with 2,500 planned to be built by the end of 2012. Kia, meanwhile, is yet to fully reveal its own plans for production of EVs, although a plug-in version of the Ray minicar, which it launched in South Korea in December, is said to be under development.

Meanwhile, Renault Samsung might well have stolen a jump over its larger rivals by tapping into the Renault-Nissan Alliance's EV expertise. A prototype of an EV version of the existing Samsung SM3 saloon was revealed by RSM in November 2010. As is the case with the related Renault Fluence Z.E., the battery pack is installed directly behind the rear seats rather than beneath the car's floor, extending the rear of the electric model by 13cm. The company claims limited production is due to commence during 2012.

Of particular interest with the SM3 EV is that the vehicle features a quick-drop (250kg lithiumion) battery pack. The cell-switching concept has been chosen for the production model to ease concerns about charge times, according to RSM. The company claims that a robotised battery switch typically takes 90 seconds at specially designed switching stations. The SM3 EV is claimed to have a range of up to 160km (100 miles). In November 2011, RSM stated that its target for calendar 2012 production of the SM3 EV is 250 cars, with up to 13,000 to be built by 2015.

http://www.automotivemanufacturingsolutions.com/focus/growing-gains-in-south-korea

Auto market trends

Diesel-powered cars gain traction in South Korea

SEOUL - European diesel-powered cars have become increasingly popular in South Korea in recent years on the back of higher gasoline prices and a shift toward conspicuous consumption.

In 2014, diesel models accounted for 39% of all newly registered passenger vehicles, nearly double their share three years ago. By 2013, the share of diesel-powered vehicles was greater than that of gasoline-powered ones when commercial trucks are included.

At a Shinho Motors showroom in Seoul, the best-selling model is the BMW 520d, a diesel-powered car priced at 63.9 million won ($56,954). But there are none to be seen. "We don't even need to display the model. It is that popular," said a sales team leader. Shinho Motors is the official dealer of German carmaker BMW in South Korea.

Since 2011, the 520d has ranked either No. 1 or No. 2 among all imports in South Korea. "In effect, it has pioneered South Korea's diesel car market," said an official close to BMW.

Broader horizons

Diesels are spreading to other models as well. One 28-year-old man visiting the showroom already owned a diesel-powered Audi. Although he was considering a BMW for his second car, he planned to stick with diesel. "Diesel cars have better acceleration and are fuel-efficient, so I am looking to buy another diesel," he said.

Up until the early 2000s, many South Korean drivers thought of diesels as dirty. The government used to set strict standards for emissions of nitrogen oxide and other exhaust, which limited the market. But in 2005, the president eased these rules, bringing them in line with European standards.

The wave of diesel popularity in South Korea was set off by soaring gasoline prices, which took off in 2010. In 2012, retail prices peaked at 1,985 won per liter, according to the Korea National Oil, 24% higher than in 2009. Diesel prices also rose, to 1,806 won per liter in 2012, but that was about 10% lower than gasoline. And diesel-powered cars get better fuel economy.

Conspicuously foreign

Many South Koreans see cars as status symbols and many believe that adults should not drive subcompacts. Diesel cars fit the bill for drivers who want a large or midsize foreign car that is fuel efficient.

Penny pinching has little to do with the trend. Although the stronger won has helped make foreign cars somewhat cheaper, their sticker prices are still higher than domestic makes. On the contrary, there has been a move toward more conspicuous consumption. Many South Koreans once saw it as their patriotic duty to buy domestic. Nowadays, people in their 30s and younger are less interested in supporting their country with their wallets.

For years, Hyundai Motor and Kia Motors have controlled around 70% of the domestic auto market. But now South Korean consumers are increasingly looking to stand out from the crowd. This, combined with higher gasoline prices, is encouraging more drivers to choose foreign diesel cars. The cachet of a foreign brand is another draw.

European luxury car makers have seized their chance with strong diesel lineups. Reductions in auto tariffs since the launch in 2011 of a free trade agreement between South Korea and the European Union helped European manufacturers sell 160,000 cars in 2014, around double the volume of three years earlier and 80% of South Korea's imported car market overall, according to the Korea Automobile Importers and Distributors Association.

In contrast, sales of Japanese cars have skidded. Their share dropped to 12% of imports in 2014, down from their 36% share in 2008.

Hyundai and other domestic automakers have released diesel versions of their existing models to try to keep the Europeans at bay, so far with little success.

http://asia.nikkei.com/Business/Consumers/Diesel-powered-cars-gain-traction-in-South-Korea