

SK Hynix FY2015 Q2 Earnings Results



Disclaimer

This material contains forward-looking statements which can be subject to certain risks and uncertainties that could cause actual results to differ materially.

All financial information contained in this document is based on consolidated K-IFRS.

Review of the 2015 Q2 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.





FY2015 Q2 Earnings Results & Operational Performance

Results of Operation

(Unit: KRW Billion)

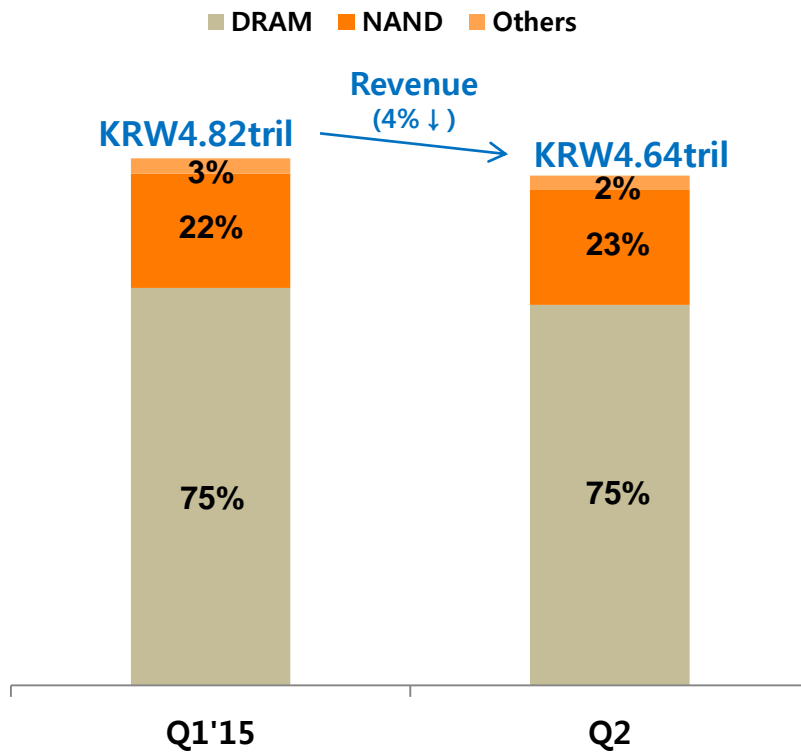
		Q2'15	QoQ	Q1'15	Q2'14	YoY
Revenue		4,639	-4%	4,818	3,923	+18%
Gross Profit (Loss)		2,116	-8%	2,288	1,677	+26%
Operating Profit (Loss)		1,375	-13%	1,589	1,084	+27%
EBITDA*		2,323	-8%	2,529	1,915	+21%
Net Profit (Loss)		1,108	-14%	1,295	674	+65%
EPS (Won)	Basic	1,522		1,780	940	
	Diluted	1,522		1,780	940	
Shares Outstanding (Mil. shares)	Basic	728		728	716	
	Diluted	728		728	716	
Gross Margin		46%	-1%p	47%	43%	+3%p
OP Margin		30%	-3%p	33%	28%	+2%p
EBITDA Margin		50%	-2%p	52%	49%	+1%p
Net Margin		24%	-3%p	27%	17%	+7%p

* EBITDA = Operating Profit + Depreciation & Amortization

Sales Analysis

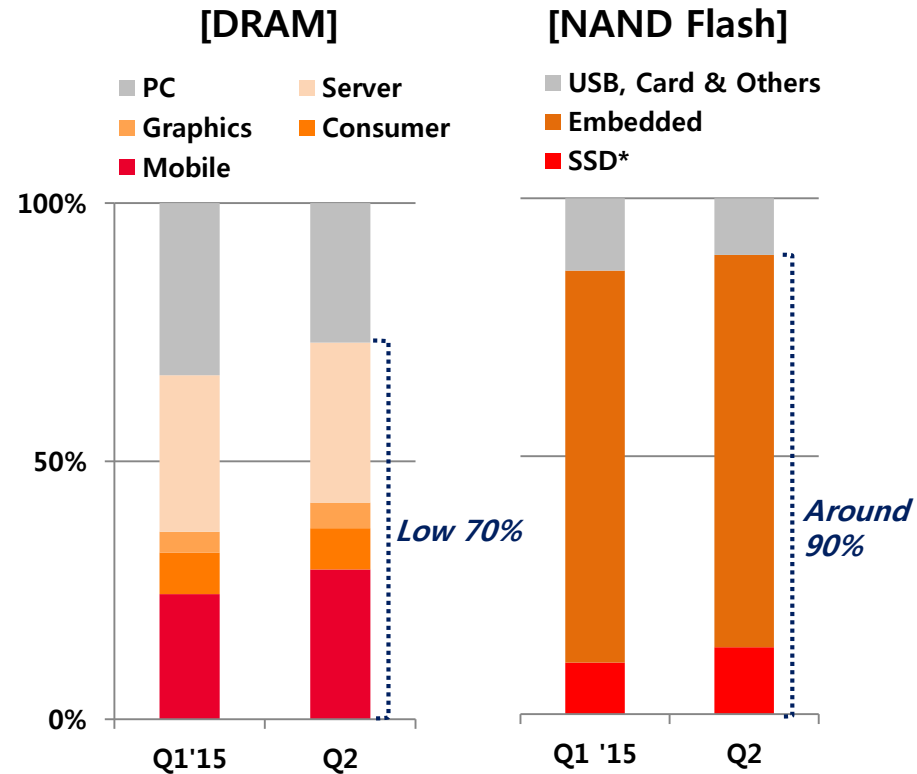
- With continued weakening of PC demand, DRAM price declines extended further leading to lower DRAM revenue and 4% sequential decline in overall revenue.
- DRAM bit shipments increased as expected with higher portion of Mobile & Server DRAM. However weakness of PC DRAM prices affected pricing of some Server & Consumer DRAM products leading to DRAM ASP decline. (Bit shipment growth +4%, ASP -8% QoQ)
- NAND bit shipments increased from continued growth in Mobile & SSD demand, while NAND prices were positively influenced by stable market prices. (Bit shipment growth +8%, ASP -6% QoQ)

Revenue Mix by Product



※ Q2 MCP Revenue portion increased to 14% from 10% in Q1

Revenue Mix by Application



* including discrete NAND for SSDs

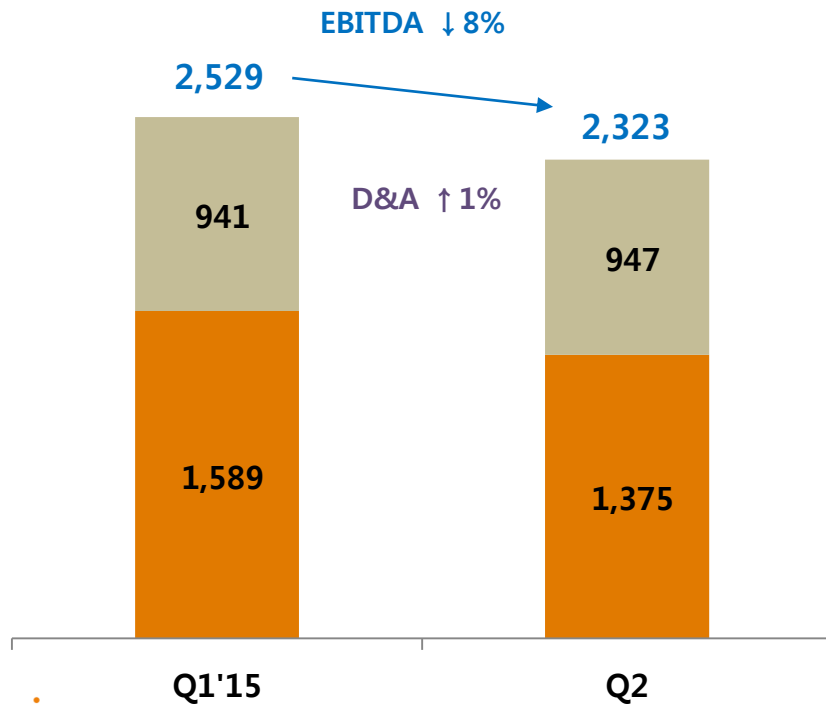
Profit Analysis

- Despite product mix optimization and unit cost reduction, higher Operating expense from increased labor-related costs in the quarter resulted in a 13% sequential decline in Operating Profit to KRW 1.375 trillion.
- Operating margin decreased from previous quarter to record 30% in Q2.

Operating Profit & EBITDA

Unit: KRW Billion

■ D&A ■ OP



Profit Margins

	2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2
OPM	28%	28%	30%	32%	33%	30%
EBITDA Margin	50%	49%	50%	50%	52%	50%
Net Margin	21%	17%	25%	32%	27%	24%

Non-Operating Gain & Loss

(Unit: KRW Billion)

	Q2 '15	QoQ	Q1 '15	Q2'14	YoY
Net Non-Operating Gain (Loss)	3	-11	14	(226)	+229
Net Financial Gain (Loss)	(18)	-1	(17)	(38)	+20
Net F/X Transaction & Translation Gain (Loss)	25	+1	24	22	+3
Net Gain (Loss) on equity method investments	5	-1	6	3	+2
Other Net Non-Operating Gain (Loss)	(8)	-9	1	(212)	+204
Income Tax Expense (Income)	270	-37	307	184	+86

Capital Structure

(Unit: KRW Billion)

	Q2 '15	QoQ	Q1 '15	Q4 '14	vs. Q4'14
Assets	28,464	<i>+1,071</i>	27,393	26,883	<i>+1,580</i>
Cash*	4,206	<i>-43</i>	4,248	4,055	<i>+151</i>
Liabilities	8,168	<i>-99</i>	8,267	8,847	<i>-679</i>
Debt**	3,758	<i>+186</i>	3,572	4,175	<i>-417</i>
Shareholders' Equity	20,296	<i>+1,170</i>	19,126	18,036	<i>+2,259</i>
Capital Stock	3,658	-	3,658	3,658	-
Retained Earnings	12,459	<i>+1,106</i>	11,353	10,277	<i>+2,182</i>
Debt-to-Equity Ratio	19%	-	19%	23%	<i>-4%p</i>
Net Debt-to-Equity Ratio	-2%	<i>+2%p</i>	-4%	1%	<i>-3%p</i>

* Cash = Cash & Cash Equivalents + Short-term Financial Instruments

** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-term Borrowings

Cash Flow

(Unit: KRW Billion)

	Q2 '15	Q1 '15	Q2 '14
Beginning Cash balance*	4,248	4,055	3,138
CF from Operating Activities	2,153	2,549	1,819
Net Income	1,108	1,295	674
Depreciation & Amortization**	950	942	833
Changes in working capital, etc	95	311	312
CF from Investing Activities	(2,134)	(1,753)	(1,482)
Acquisition of PP&E	(2,034)	(1,628)	(1,481)
CF from Financing Activities	(74)	(607)	(376)
Debt issuance, net of repayment***	144	(607)	(376)
Net increase (decrease) in Cash	(43)	193	(58)
Ending Cash balance	4,206	4,248	3,080

* Cash = Cash & Cash Equivalents + Short-term Financial instruments

** D&A : including amortization of non-operating expenses

*** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Convertible Bond + Long-term Borrowings

[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q2'15	Q1'15	Q4'14	QoQ	vs. Q4'14
Assets					
Current Assets	9,657	9,622	10,364	+35	-707
Cash & Cash Equivalents*	4,206	4,248	4,055	-43	+151
Accounts Receivables	3,238	3,261	3,733	-22	-494
Inventories	1,751	1,565	1,498	+186	+253
Non-Current Assets	18,807	17,771	16,520	+1,035	+2,287
Property, plant & equipment	16,084	15,148	14,090	+936	+1,994
Intangible Assets	1,519	1,401	1,337	+118	+183
Total Assets	28,464	27,393	26,883	+1,071	+1,580
Liabilities					
Interest-bearing Debts	3,758	3,572	4,175	+186	-417
S-T Borrowings	616	331	734	+285	-118
Current Portion of LT Borrowings	962	826	1,021	+136	-59
Bonds/Convertible Bonds	760	1,158	1,157	-397	-397
L-T Borrowings	1,419	1,257	1,263	+162	+157
Accounts Payables	686	685	788	+1	-102
Total Liabilities	8,168	8,267	8,847	-99	-679
Shareholders' Equity					
Common Stock	3,658	3,658	3,658	+0	+0
Total Shareholders' Equity	20,296	19,126	18,036	+1,170	+2,259

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

	Q2'15	Q1'15	Q2'14	QoQ	YoY
Sales	4,639	4,818	3,923	-180	+716
Cost of Goods Sold	2,523	2,530	2,246	-7	+277
Gross Profit	2,116	2,288	1,677	-173	+439
SG&A Expenses	740	700	593	+41	+147
Operating Profit	1,375	1,589	1,084	-213	+292
Financial Income(Expenses), Net	-18	-17	-38	-1	+20
F/X Transaction & Translation Income (Expense), Net	25	24	22	+1	+3
Income (Expense) From Jointly Controlled Entities and Associates, Net	5	6	3	-1	+2
Other Non-operating Income (Expense), Net	-8	1	-212	-9	+204
Income Before Income Taxes	1,378	1,602	858	-224	+520
Income Taxes (Benefit)	270	307	184	-37	+86
Net Income	1,108	1,295	674	-187	+435