



SK Hynix FY2018 Q4 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 FY2018 Q4 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.





FY2018 Q4 Financial Results

Results of Operation

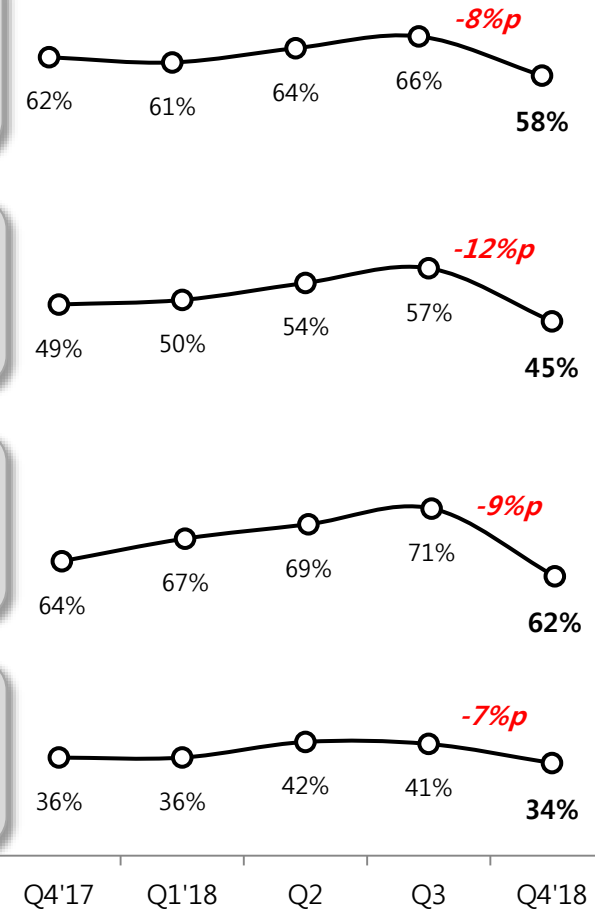
Income Statement

<i>(Unit: KRW Billion)</i>		Q4'18	Q3'18	Q4'17	QoQ	YoY
Revenue		9,938	11,417	9,028	-13%	10%
Gross Profit		5,774	7,545	5,567	-23%	4%
Operating Profit		4,430	6,472	4,466	-32%	-1%
EBITDA*		6,181	8,120	5,801	-24%	7%
Net Profit		3,398	4,692	3,219	-28%	6%
EPS(KRW)	Basic	4,965	6,731	4,562		
	Dil.	4,965	6,730	4,561		
Shares Outstanding (Mil. Shares)	Basic	684	697	706		
	Dil.	684	697	706		

* EBITDA = Operating Profit + Depreciation & Amortization

[Note] All figures in this presentation are rounded to KRW Billions, leading to some statements not adding up completely

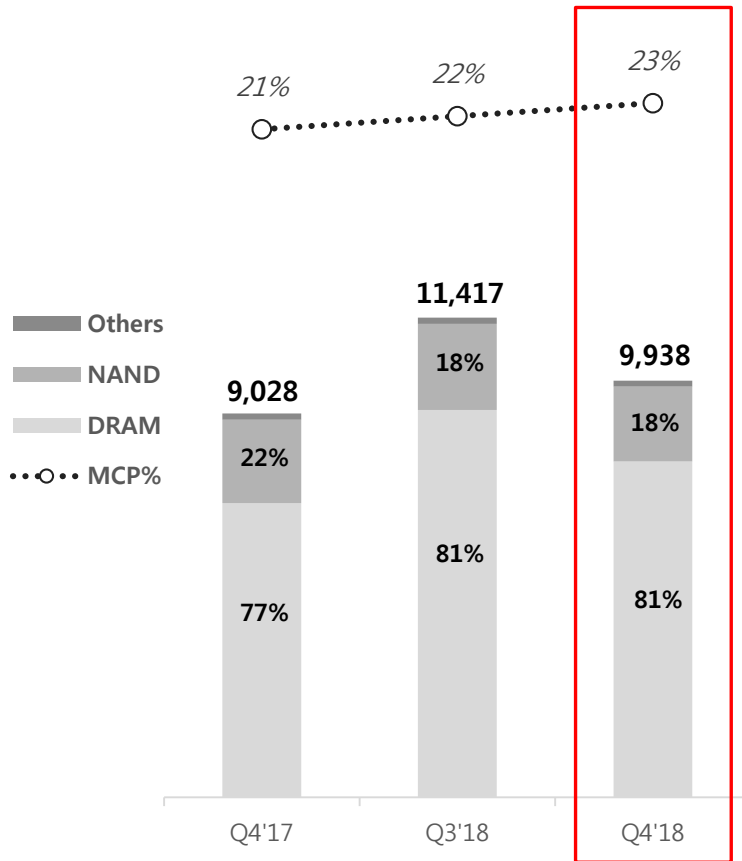
Profit Margins



Sales Analysis - 1

Revenue Trend

(Unit: KRW Billion)



- Achieved the highest annual results in company history, with Revenue of KRW 40.4Tr and Operating Profit of KRW 20.8Tr.
- Weakened memory demand in Q4'18 led to less B/G than plan and ASP erosion. As a result, quarterly revenue decreased 13% QoQ.

DRAM

- QoQ B/G -2%, ASP -11%
- Growing macroeconomic uncertainties led to conservative purchasing behavior by Server customers and slowdown in Smartphone sales
- Prices fell evenly across most applications, pushing down blended ASP 11% QoQ

NAND

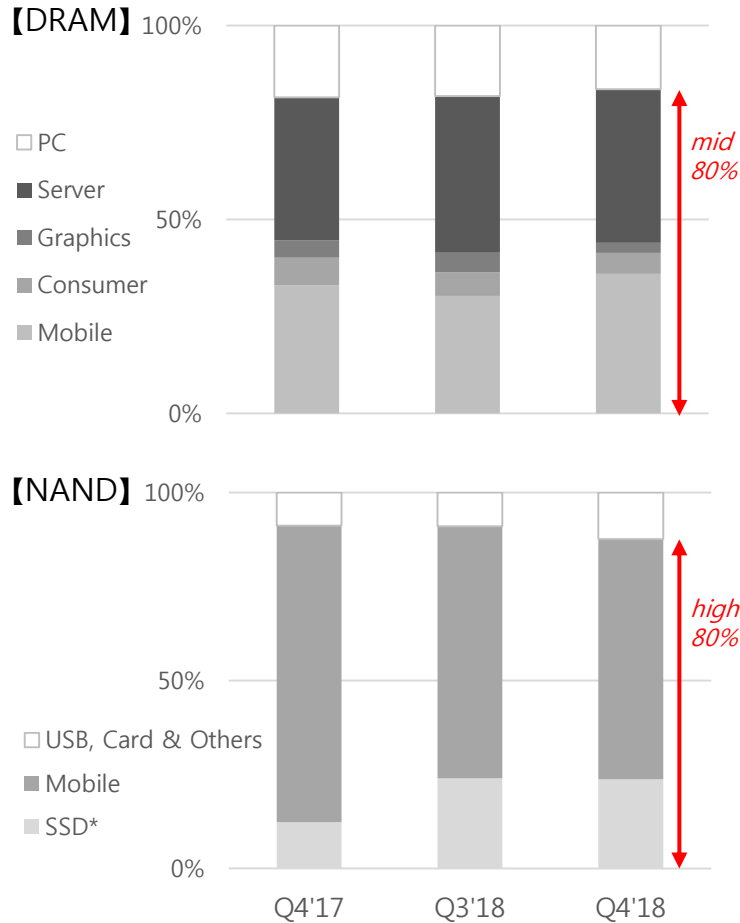
- QoQ B/G +10%, ASP -21%
- Weakened demand for high-end Smartphones which contains high-density NAND
- ASP fell 21% QoQ due to price competition among suppliers to reduce inventory level

MCP

- Mid-to-low end Smartphone demand showed relatively better trend than in high-end market
- Despite MCP Revenue dropping 9% QoQ, Revenue mix slightly went up

Sales Analysis - 2

Revenue Breakdown by Application



* including discrete NAND for SSDs

❖ IT demand slowed due to macroeconomic uncertainties

Server
DRAM
+
SSD

- Demand from Server market was weaker as Server customers focused more on infra optimization and changed their purchase plan more conservatively
- However, SK Hynix's revenue mix for Server DRAM and SSD maintained

Mobile
DRAM
+
NAND

- Slowdown of High-end Smartphone sales
- Largely impacted on NAND demand, where density difference is relatively bigger among smartphone segments
- Better than expected Mid-to-low-end Smartphone sales

PC DRAM

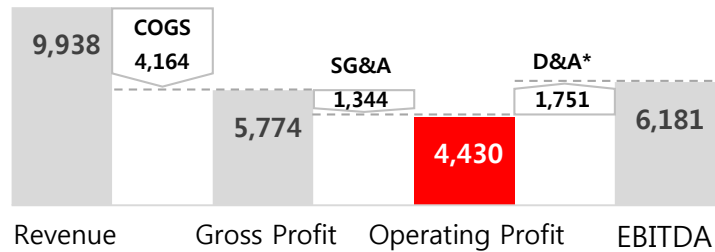
- Sales portion of PC DRAM decreased due to seasonal Mobile demand support

Profit Analysis

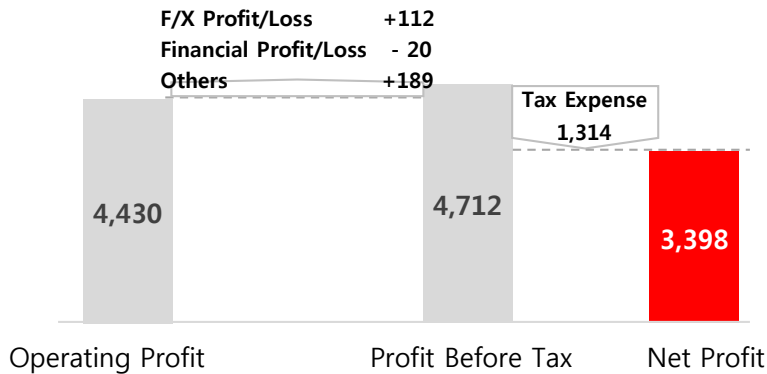
2018 Q4 Profit

【 Operating Profit 】

(Unit: KRW Billion)



【 Net Profit 】



* Depreciation & Amortization

- Revenue decrease, Occurred additional costs from initial M15 Fab operations and Recognition of one-off labor costs drove Gross Profit down to KRW 5.77Tr (-23% QoQ) and Operating Profit to KRW 4.43Tr (-32% QoQ) in Q4'18
- Due to CapEx increase, Depreciation & Amortization expense rose slightly(+6% QoQ) reaching EBITDA of KRW 6.18Tr with 62% of EBITDA margin
- Decreased Operating Profit and Profit Before Tax pushed down Corporate Tax Expense 25% QoQ to KRW 1.31Tr
- Net Profit decreased 28% from previous quarter

Capital Structure

Balance Sheet

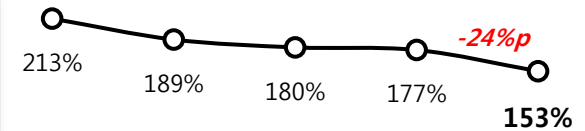
(Unit: KRW Billion)	Q4'18	Q3'18	Q4'17	QoQ	vs. Q4'17
Assets	63,658	57,377	45,418	6,281	18,240
Cash*	8,369	5,675	8,555	2,694	-185
Liabilities	16,806	13,888	11,598	2,918	5,208
Debt **	5,282	4,977	4,171	305	1,111
Shareholders' Equity	46,852	43,489	33,821	3,363	13,031
Capital Stock	3,658	3,658	3,658	0	0
Retained Earnings	42,034	38,693	27,287	3,341	14,746

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

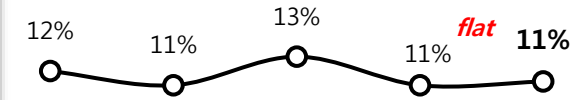
** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-Term Borrowings

Stability Ratios

Current Ratio



Debt-to-Equity Ratio



Net Debt-to-Equity Ratio



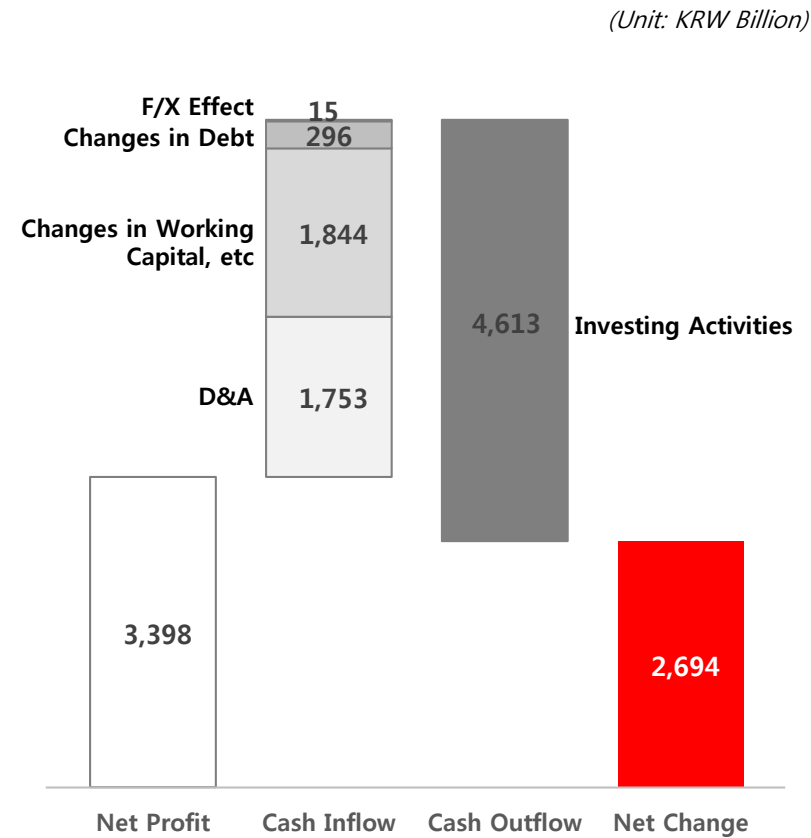
Q4'17 Q1'18 Q2 Q32 Q4'18

Cash Flow

Cash Flow

<i>(Unit: KRW Billion)</i>	Q4'18	Q3'18	Q4'17
Beginning Cash Balance	5,675	4,405	6,315
CF from Operating Activities	6,995	7,105	4,795
Net Profit	3,398	4,692	3,219
D&A*	1,753	1,652	1,338
Changes in Working Capital	1,844	761	237
CF from Investing Activities	(4,613)	(3,666)	(2,410)
Acquisition of PP&E	(4,278)	(3,299)	(2,276)
CF from Financing Activities	296	(2,102)	10
Changes in Debt	296	(365)	10
Dividend Payout	0	0	0
Share Repurchase	0	(1,737)	0
Effect of F/X rate changes on Cash & Equivalents	15	(67)	(156)
Net Changes in Cash	2,694	1,270	2,240
Ending Cash Balance	8,369	5,675	8,555

Q4 2018 Net Cash Flow



* including depreciation for non-operating(idle) assets

[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q4'18	Q3'18	Q4'17	QoQ	YoY
Assets					
Current Assets	19,894	17,701	17,310	+2,194	+2,584
Cash & Cash Equivalents*	8,369	5,675	8,555	+2,694	-185
Accounts Receivables	6,320	7,711	5,553	-1,391	+767
Inventories	4,423	3,687	2,640	+736	+1,782
Non-Current Assets	43,764	39,677	28,108	+4,087	+15,656
Property, plant & equipment	34,953	31,259	24,063	+3,693	+10,890
Intangible Assets	2,679	2,469	2,247	+210	+431
Total Assets	63,658	57,377	45,418	+6,281	+18,240
Liabilities					
Interest-bearing Debts	5,282	4,977	4,171	+305	+1,111
S-T Borrowings	586	266	193	+320	+393
Current Portion of LT Borrowings	1,029	1,051	581	-23	+447
Bonds/Convertible Bonds	1,506	1,506	1,317	+0	+189
L-T Borrowings	2,162	2,155	2,080	+7	+81
Accounts Payables	1,096	796	759	+301	+338
Total Liabilities	16,806	13,888	11,598	+2,918	+5,208
Shareholders' Equity					
Capital Stock	3,658	3,658	3,658		
Capital Surplus	4,144	4,144	4,144		
Retained Earnings	42,034	38,693	27,287	+3,340	+14,746
Total Shareholders' Equity	46,852	43,489	33,821	+3,364	+13,031

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

		Q4'18	Q3'18	QoQ	2018	2017	YoY
Revenue		9,938	11,417	-13%	40,445	30,109	34%
Cost of Goods Sold		4,164	3,872	8%	15,181	12,702	20%
Gross Profit		5,774	7,545	-23%	25,264	17,408	45%
SG&A Expenses		1,344	1,073	25%	4,420	3,686	20%
Operating Profit		4,430	6,472	-32%	20,844	13,721	52%
Net Financial Profit/Loss		-20	-13		-32	-70	
Net F/X Transaction & Translation Profit/Loss		112	-83		340	-232	
Income (Expense) From Jointly Controlled Entities and Associates, Net		1	3		13	12	
Others		188	55		177	7	
EBITDA		6,181	8,120	-24%	27,262	18,740	45%
Income Before Tax		4,712	6,435	-27%	21,341	13,440	59%
Tax Expense/Benefit		1,314	1,743		5,801	2,797	107%
Net Income		3,398	4,692	-28%	15,540	10,642	46%
EPS(KRW)	Basic	4,965	6,731		22,255	15,073	
	Diluted	4,965	6,730		22,252	15,072	
Shares Outstanding (Mil. Shares)	Basic	684	697		698	706	
	Diluted	684	697		698	706	