



SK Hynix FY2014 Q2 Earnings Results



July 24, 2014

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 FY2014 Q2 financial results has not been finalized. Figures in this earnings release are subjected to changes during the independent auditing process.

※ All financial information provided here is according to the latest amendment of K-IFRS 1001.





FY2014 Q2 Earnings Results & Operational Performance

Results of Operation

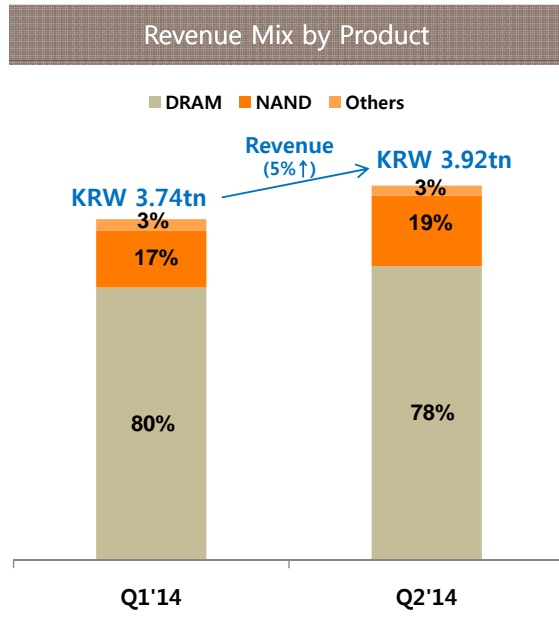
(Unit: KRW Billion)

		Q2'14	QoQ	Q1'14	Q2'13	YoY
Revenue		3,923	+5%	3,743	3,933	-0%
Gross Profit (Loss)		1,677	+3%	1,632	1,482	+13%
Operating Profit (Loss)		1,084	+3%	1,057	1,114	-3%
EBITDA*		1,915	+2%	1,881	1,870	+2%
Net Profit (Loss)		674	-16%	802	947	-29%
EPS (Won)	Basic	940		1,130	1,363	
	Diluted	940		1,104	1,342	
Shares Outstanding (Mil. shares)	Basic	716		710	695	
	Diluted	716		727	713	
Gross Margin		43%	-1%p	44%	38%	+5%p
OP Margin		28%	-	28%	28%	-
EBITDA Margin		49%	-1%p	50%	48%	+1%p
Net Margin		17%	-4%p	21%	24%	-7%p

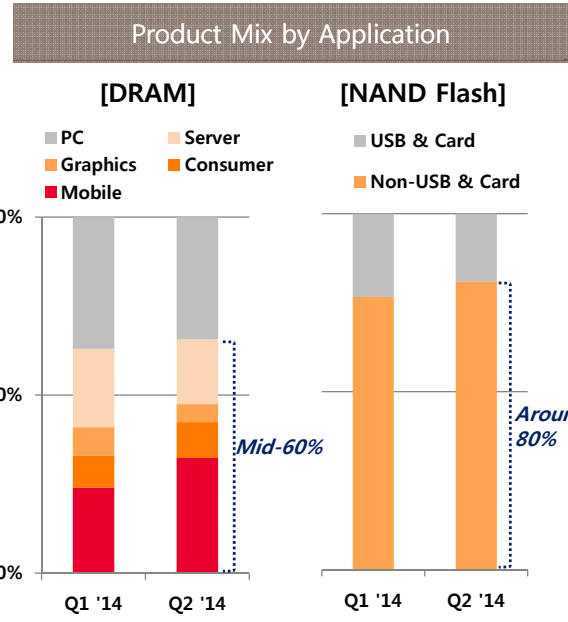
* EBITDA = Operating Profit + Depreciation & Amortization

Sales Analysis

- In order to meet rising demand from better than expected PC DRAM and seasonal pick-up in Mobile DRAM, we increased 2xnm portion and worked down inventory, recording higher than expected DRAM bit shipment growth. With stable pricing environment from supply constraints, our DRAM revenue increased sequentially. (B/G +13%, ASP -5%)
- For NAND, seasonal demand recovery for mobile applications led to higher than expected bit shipment growth. However, ASP dropped as a result of market price decline which continued into the early part of the quarter as well as our product mix change. (B/G +54%, ASP -19%)

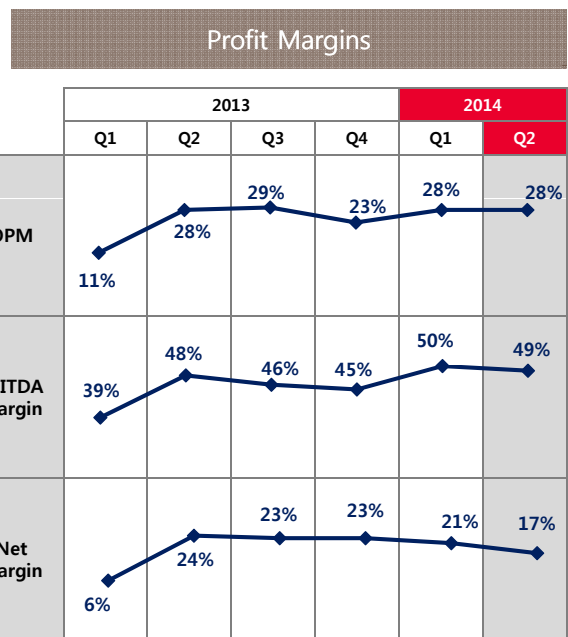
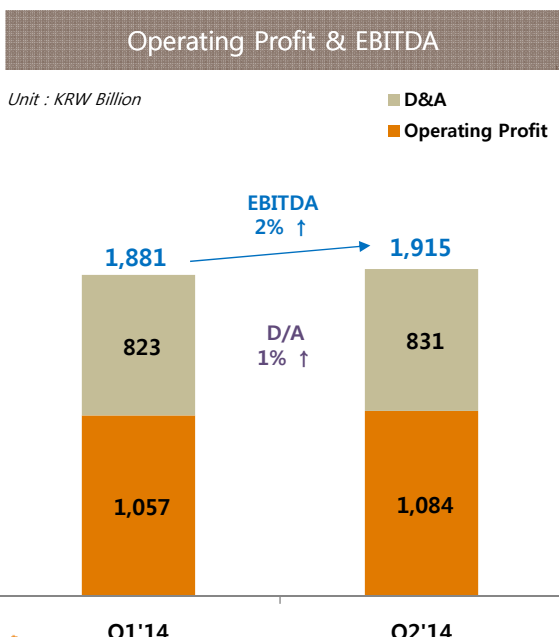


※ MCP Revenue portion increased to 11% in Q2 from 9% in Q1



Profit Analysis

- Despite negative impact from strong Korean Won, favorable DRAM market conditions and our cost reduction efforts led us to generate more than KRW 1 trillion of Operating Profit for the second consecutive quarter.
- (+) factor : Cost/Unit reduction from bit shipment growth, favorable DRAM pricing conditions, accelerated NAND 1Xnm ramp-up
 (-) factor : Strong KRW against USD, NAND ASP drop, labor cost increase



Non-Operating Gain & Loss

(Unit: KRW Billion)

	Q2 '14	QoQ	Q1 '14	Q2 '13	YoY
Net Non-Operating Gain (Loss)	(226)	-138	(88)	(101)	-125
Net Financial Gain (Loss)	(38)	-1	(37)	(56)	+18
Net F/X Transaction & Translation Gain (Loss)	22	+31	(10)	(29)	+51
Net Gain (Loss) on equity method investments	3	+2	0	4	-1
Other Net Non-Operating Gain (Loss)	(212)	-171	(41)	(20)	-193
Income Tax Expense (Income)	184	+17	167	66	+118



Capital Structure

(Unit: KRW Billion)

	Q2 '14	QoQ	Q1 '14	Q4 '13	vs. Q4'13
Assets	22,557	+491	22,066	20,797	+1,759
Cash*	3,080	-58	3,138	2,786	+294
Liabilities	7,947	-267	8,213	7,730	+216
Debt**	4,151	-613	4,764	4,550	-400
Shareholders' Equity	14,610	+758	13,852	13,067	+1,543
Capital Stock	3,598	+30	3,569	3,569	+30
Retained Earnings	7,677	+673	7,004	6,201	+1,476
Debt-to-Equity Ratio	28%	-6%p	34%	35%	-7%p
Net Debt-to-Equity Ratio	7%	-5%p	12%	13%	-6%p

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

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



Cash Flow

(Unit: KRW Billion)

	Q2 '14	Q1 '14	Q2 '13
Beginning Cash balance*	3,138	2,786	1,928
CF from Operating Activities	1,819	1,211	1,523
Pre-tax Income	858	969	1,013
Depreciation & Amortization**	834	824	758
Changes in working capital, etc	128	(583)	(247)
CF from Investing Activities	(1,482)	(1,056)	(813)
Acquisition of PP&E	(1,481)	(1,231)	(768)
CF from Financing Activities	(376)	190	(207)
Debt issuance, net of repayment***	(376)	190	(207)
Net increase (decrease) in Cash	(58)	352	507
Ending Cash balance	3,080	3,138	2,435

* 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)

	Q2'14	Q1'14	Q4'13	QoQ	vs. Q4'13
Assets					
Current Assets	7,171	7,154	6,653	0%	8%
Cash & Cash Equivalents*	3,080	3,138	2,786	-2%	11%
Accounts Receivables	2,280	2,325	1,942	-2%	17%
Inventories	1,366	1,262	1,178	8%	16%
Non-Current Assets	15,386	14,911	14,144	3%	9%
Property, plant & equipment	13,263	12,855	12,130	3%	9%
Intangible Assets	1,205	1,125	1,110	7%	9%
Total Assets	22,557	22,066	20,797	2%	8%
Liabilities					
Interest-bearing Debts	4,151	4,764	4,550	-13%	-9%
S-T Borrowings	526	487	138	8%	281%
Current Portion of LT Borrowings	1,431	1,008	732	42%	95%
Bonds/Convertible Bonds	1,148	1,763	1,950	-35%	-41%
L-T Borrowings	1,045	1,505	1,730	-31%	-40%
Accounts Payables	683	699	649	-2%	5%
Total Liabilities	7,947	8,213	7,730	-3%	3%
Shareholders' Equity					
Common Stock	3,598	3,569	3,569	1%	1%
Total Shareholders' Equity	14,610	13,852	13,067	5%	12%

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

	Q2'14	Q1'14	Q2'13	QoQ	YoY
Sales	3,923	3,743	3,933	180	-10
Cost of Goods Sold	2,246	2,110	2,451	136	-205
Gross Profit	1,677	1,632	1,482	45	195
SG&A Expenses	593	575	368	18	225
Operating Profit	1,084	1,057	1,114	27	-30
Financial Income(Expenses), Net	-38	-37	-56	-1	18
F/X Transaction & Translation Income (Expense), Net	22	-10	-29	31	51
Income (Expense) From Jointly Controlled Entities and Associates, Net	3	0	4	2	-1
Other Non-operating Income (Expense), Net	-212	-41	-20	-171	-193
Income Before Income Taxes	858	969	1,013	-111	-155
Income Taxes (Benefit)	184	167	66	17	118
Net Income	674	802	947	-129	-273

* The income statement is according to recent K-IFRS revision.