

SK Hynix FY2015 Q3 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 Q3 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.





FY2015 Q3 Earnings Results & Operational Performance

Results of Operation

(Unit: KRW Billion)

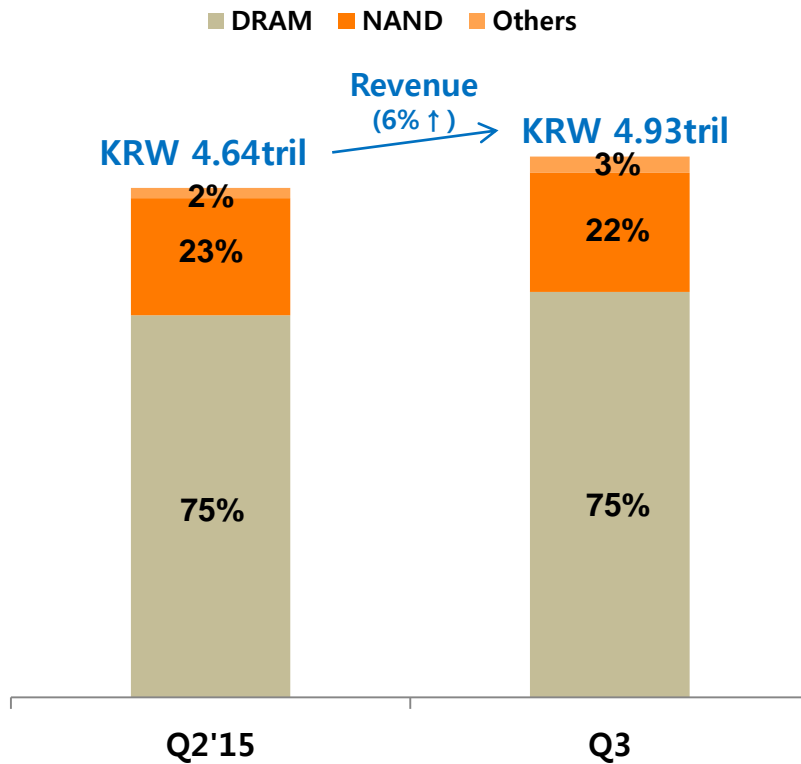
| | | Q3'15 | QoQ | Q2'15 | Q3'14 | YoY |
|---|----------------|-------|------|-------|-------|------|
| Revenue | | 4,925 | +6% | 4,639 | 4,312 | +14% |
| Gross Profit (Loss) | | 2,129 | +1% | 2,116 | 1,935 | +10% |
| Operating Profit (Loss) | | 1,383 | +1% | 1,375 | 1,301 | +6% |
| EBITDA* | | 2,386 | +3% | 2,323 | 2,174 | +10% |
| Net Profit (Loss) | | 1,048 | -5% | 1,108 | 1,095 | -4% |
| EPS (Won) | Basic | 1,458 | | 1,522 | 1,515 | |
| | Diluted | 1,458 | | 1,522 | 1,510 | |
| Shares Outstanding (Mil. shares) | Basic | 719 | | 728 | 722 | |
| | Diluted | 719 | | 728 | 724 | |
| Gross Margin | | 43% | -3%p | 46% | 45% | -2%p |
| OP Margin | | 28% | -2%p | 30% | 30% | -2%p |
| EBITDA Margin | | 48% | -2%p | 50% | 50% | -2%p |
| Net Margin | | 21% | -3%p | 24% | 25% | -4%p |

* EBITDA = Operating Profit + Depreciation & Amortization

Sales Analysis

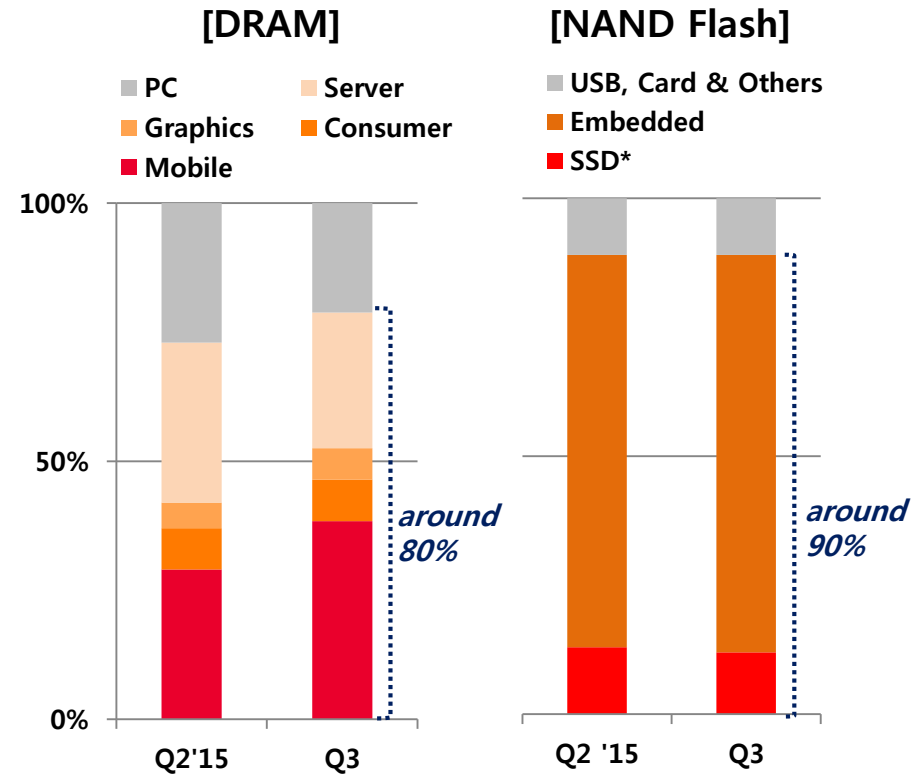
- Despite memory price weakness, Revenue increased 6% sequentially mainly from increased bit shipments of Mobile products & positive F/X impact.
- Q3 DRAM bit shipments increased 11% as planned with strong demand for Mobile DRAM. With continued weakness in DRAM pricing except for Mobile, blended DRAM ASP declined 11% QoQ.
- With increased demand from launch of new mobile devices, NAND bit shipments increased 15% as planned, while ASP decline of 15% was steeper than the market price mainly from a rapid increase in TLC portion.

Revenue Mix by Product



※ Q3 MCP Revenue portion increased to 15% from 14% in Q2

Revenue Mix by Application



* including discrete NAND for SSDs

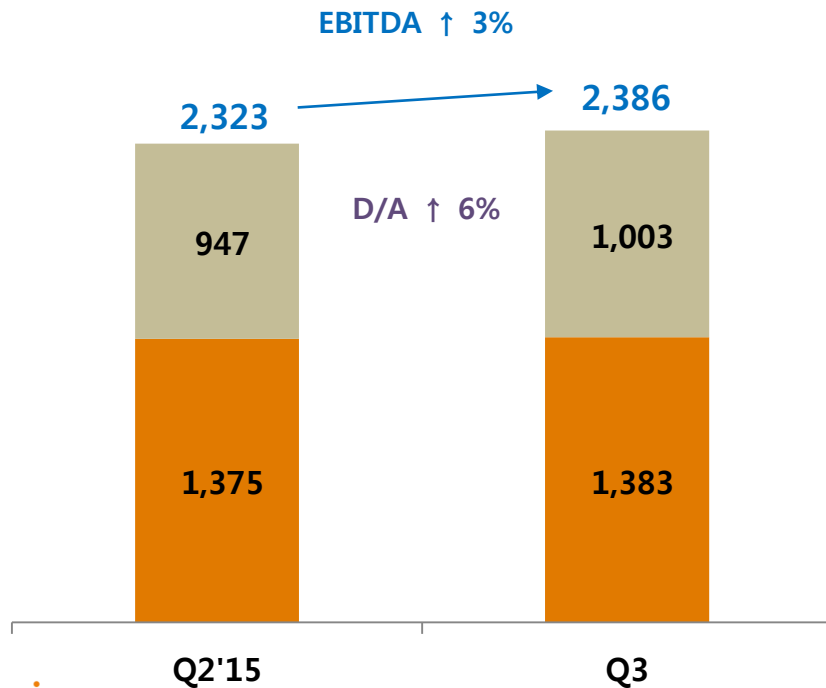
Profit Analysis

- While unit cost declined quite significantly for all products, higher bit shipments & initial costs of operating M14 fab resulted in higher COGS, leading to Operating income increase of 1% QoQ to KRW 1.3832 trillion.
- Operating Margin decreased slightly from previous quarter to 28%

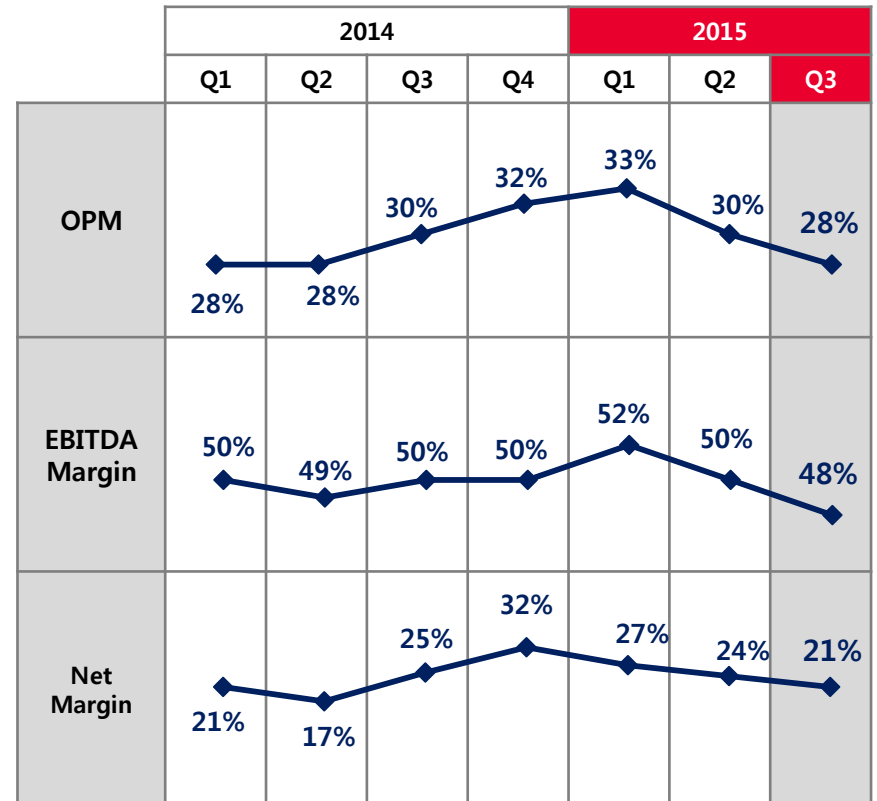
Operating Profit & EBITDA

Unit: KRW Billion

■ D&A ■ OP



Profit Margins



Non-Operating Gain & Loss

(Unit: KRW Billion)

| | Q3 '15 | QoQ | Q2 '15 | Q3'14 | YoY |
|---|--------|-----|--------|-------|-----|
| Net Non-Operating Gain (Loss) | (72) | -74 | 3 | 14 | -85 |
| Net Financial Gain (Loss) | (21) | -3 | (18) | (28) | +7 |
| Net F/X Transaction & Translation Gain (Loss) | (31) | -55 | 25 | 62 | -93 |
| Net Gain (Loss) on equity method investments | 8 | +4 | 5 | 2 | +6 |
| Other Net Non-Operating Gain (Loss) | (28) | -20 | (8) | (23) | -5 |
| Income Tax Expense (Income) | 263 | -7 | 270 | 220 | +43 |

Capital Structure

(Unit: KRW Billion)

| | Q3 '15 | QoQ | Q2 '15 | Q4 '14 | vs. Q4'14 |
|---------------------------------|---------------|--------|---------------|---------------|-----------|
| Assets | 29,342 | +878 | 28,464 | 26,883 | +2,459 |
| Cash* | 4,105 | -100 | 4,206 | 4,055 | +50 |
| Liabilities | 8,576 | +408 | 8,168 | 8,847 | -271 |
| Debt** | 4,300 | +542 | 3,758 | 4,175 | +125 |
| Shareholders' Equity | 20,766 | +471 | 20,296 | 18,036 | +2,730 |
| Capital Stock | 3,658 | - | 3,658 | 3,658 | - |
| Retained Earnings | 13,506 | +1,047 | 12,459 | 10,277 | +3,229 |
| Debt-to-Equity Ratio | 21% | +2%p | 19% | 23% | -2%p |
| Net Debt-to-Equity Ratio | 1% | +3%p | -2% | 1% | - |

* 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)

| | Q3 '15 | Q2 '15 | Q3 '14 |
|--|---------|---------|---------|
| Beginning Cash balance* | 4,206 | 4,248 | 3,080 |
| CF from Operating Activities | 2,197 | 2,153 | 1,632 |
| Net Income | 1,048 | 1,108 | 1,095 |
| Depreciation & Amortization** | 1,005 | 950 | 874 |
| Changes in working capital, etc | 144 | 95 | (337) |
| CF from Investing Activities | (1,958) | (2,134) | (1,225) |
| Acquisition of PP&E | (1,930) | (2,034) | (1,253) |
| CF from Financing Activities | (352) | (74) | 200 |
| Increase in Debt*** | 402 | 144 | 200 |
| Dividend payout | - | (218) | - |
| Share repurchase | (754) | - | - |
| Net increase (decrease) in Cash | (100) | (43) | 620 |
| Ending Cash balance | 4,105 | 4,206 | 3,700 |

* 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)

| | Q3'15 | Q2'15 | Q4'14 | QoQ | vs. Q4'14 |
|-----------------------------------|---------------|---------------|---------------|------|-----------|
| Assets | | | | | |
| Current Assets | 9,700 | 9,657 | 10,364 | +43 | -663 |
| Cash & Cash Equivalents* | 4,105 | 4,206 | 4,055 | -100 | +50 |
| Accounts Receivables | 3,319 | 3,238 | 3,733 | +80 | -414 |
| Inventories | 1,827 | 1,751 | 1,498 | +76 | +329 |
| Non-Current Assets | 19,642 | 18,807 | 16,520 | +835 | +3,122 |
| Property, plant & equipment | 16,819 | 16,084 | 14,090 | +735 | +2,729 |
| Intangible Assets | 1,619 | 1,519 | 1,337 | +99 | +282 |
| Total Assets | 29,342 | 28,464 | 26,883 | +878 | +2,459 |
| Liabilities | | | | | |
| Interest-bearing Debts | 4,300 | 3,758 | 4,175 | +542 | +125 |
| S-T Borrowings | 789 | 616 | 734 | +173 | +55 |
| Current Portion of LT Borrowings | 1,074 | 962 | 1,021 | +112 | +53 |
| Bonds/Convertible Bonds | 1,116 | 760 | 1,157 | +356 | -41 |
| L-T Borrowings | 1,321 | 1,419 | 1,263 | -99 | +58 |
| Accounts Payables | 776 | 686 | 788 | +90 | -12 |
| Total Liabilities | 8,576 | 8,168 | 8,847 | +408 | -271 |
| Shareholders' Equity | | | | | |
| Common Stock | 3,658 | 3,658 | 3,658 | +0 | +0 |
| Total Shareholders' Equity | 20,766 | 20,296 | 18,036 | +471 | +2,730 |

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

| | Q3'15 | Q2'15 | Q3'14 | QoQ | YoY |
|---|-------|-------|-------|------|------|
| Sales | 4,925 | 4,639 | 4,312 | +286 | +613 |
| Cost of Goods Sold | 2,796 | 2,523 | 2,377 | +273 | +419 |
| Gross Profit | 2,129 | 2,116 | 1,935 | +13 | +194 |
| SG&A Expenses | 746 | 740 | 634 | +5 | +112 |
| Operating Profit | 1,383 | 1,375 | 1,301 | +8 | +82 |
| Financial Income(Expenses), Net | -21 | -18 | -28 | -3 | +7 |
| F/X Transaction & Translation Income (Expense), Net | -31 | 25 | 62 | -55 | -93 |
| Income (Expense) From Jointly Controlled Entities and Associates, Net | 8 | 5 | 2 | +4 | +6 |
| Other Non-operating Income (Expense), Net | -28 | -8 | -23 | -20 | -5 |
| Income Before Income Taxes | 1,312 | 1,378 | 1,315 | -67 | -3 |
| Income Taxes (Benefit) | 263 | 270 | 220 | -7 | +43 |
| Net Income | 1,048 | 1,108 | 1,095 | -60 | -47 |