

SK Hynix FY2016 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 FY2016 Q2 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.





FY2016 Q2 Earnings Results & Operational Performance

Results of Operation

(Unit: KRW Billion)

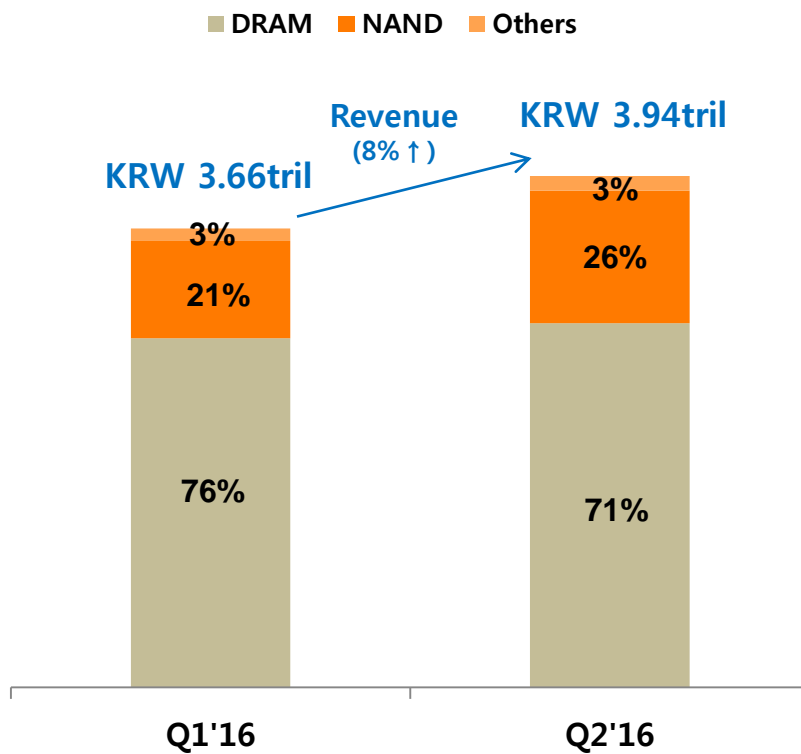
		Q2'16	QoQ	Q1'16	Q2'15	YoY
Revenue		3,941	+8%	3,656	4,639	-15%
Gross Profit (Loss)		1,252	-5%	1,318	2,116	-41%
Operating Profit (Loss)		453	-19%	562	1,375	-67%
EBITDA*		1,578	-4%	1,640	2,323	-32%
Net Profit (Loss)		286	-36%	448	1,108	-74%
EPS (Won)	Basic	405		629	1,522	
	Diluted	405		629	1,522	
Shares Outstanding (Mil. shares)	Basic	706		706	728	
	Diluted	706		706	728	
Gross Margin		32%	-4%p	36%	46%	-14%p
OP Margin		11%	-4%p	15%	30%	-18%p
EBITDA Margin		40%	-5%p	45%	50%	-10%p
Net Margin		7%	-5%p	12%	24%	-17%p

* EBITDA = Operating Profit + Depreciation & Amortization

Sales Analysis

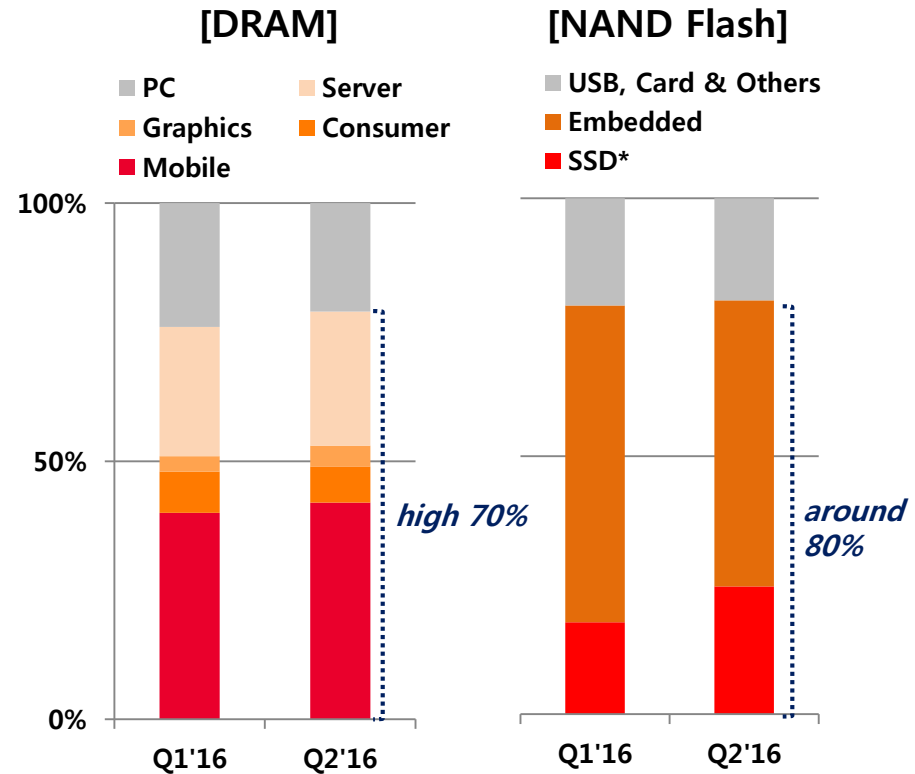
- With demand recovery, both DRAM & NAND bit shipments grew higher than guidance, leading to sequential Revenue growth of 8% despite small decline in average F/X rate (stronger KRW against USD) and continued price drop in the quarter.
- DRAM bit shipments increased from strong Mobile demand & recovery in Computing DRAM demand towards quarter-end. Prices dropped across all DRAM products, though ASP drop decelerated than in Q1. (DRAM B/G +18%, ASP -11%)
- NAND bit shipments increased considerably from Embedded Mobile demand recovery, SSD demand growth & low base effect of Q1. ASP declined at a similar level as in Q1 with price decline in Solution products & increased TLC shipments. (NAND B/G +52%, ASP -11%)

Revenue Mix by Product



※ Q2'16 MCP Revenue portion increased to 21% from 20% in Q1

Revenue Mix by Application



* Includes discrete NAND for SSDs

Profit Analysis

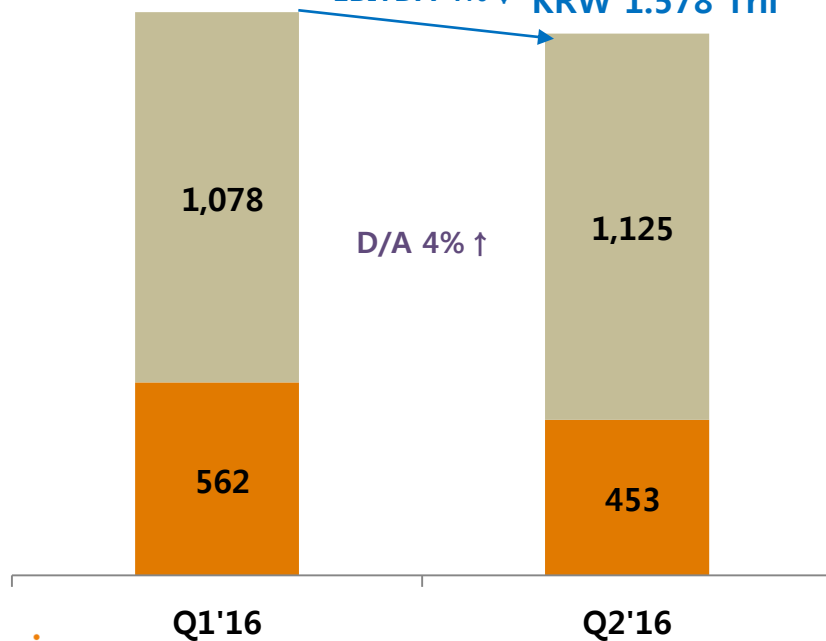
- Despite increased Revenue, Operating Profit declined by 19% Q/Q to KRW453bn as a result of Memory price drop and unfavorable F/X rate.
- Higher sales volume led to 15% sequential increase in COGS, while D&A increased slightly to KRW1.125tn resulting in EBITDA of KRW1.578tn and EBITDA Margin of 40%.

Operating Profit & EBITDA

Unit : KRW Billion

■ D&A ■ 영업이익

KRW 1.640 Tril EBITDA 4% ↓ KRW 1.578 Tril



Profit Margins

	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
OP Margin	33%	30%	28%	22%	15%	11%
EBITDA Margin	52%	50%	48%	46%	45%	40%
Net Margin	27%	24%	21%	20%	12%	7%

Capital Structure

(Unit: KRW Billion)

	Q2 '16	QoQ	Q1 '16	Q4 '15	vs. Q4'15
Assets	29,329	-468	29,798	29,678	-348
Cash*	3,433	-824	4,257	4,791	-1,358
Liabilities	7,629	-704	8,333	8,290	-662
Debt**	4,355	-26	4,381	3,819	+537
Shareholders' Equity	21,701	+236	21,465	21,388	+313
Capital Stock	3,658	-	3,658	3,658	-
Retained Earnings	14,732	+284	14,448	14,359	+373
Current Ratio	264%	+49%p	216%	202%	+62%p
Debt-to-Equity Ratio	20%	-	20%	18%	+2%p
Net Debt-to-Equity Ratio	4%	+4%p	1%	-5%	+9%p

* 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 '16	Q1 '16	Q2 '15
Beginning Cash balance	4,257	4,791	4,248
CF from Operating Activities	1,287	655	2,153
Net Income	286	448	1,108
Depreciation & Amortization	1,126	1,079	950
Changes in Working Capital, etc	(125)	(872)	95
CF from Investing Activities	(1,723)	(1,784)	(2,134)
Acquisition of PP&E	(1,606)	(1,650)	(2,034)
CF from Financing Activities	(404)	615	(74)
Increase in Debt	(51)	615	144
Dividend payout	(353)	-	(218)
Share repurchase	-	-	-
Effect of changes in F/X rate on cash & cash equivalents	16	(20)	12
Net increase (decrease) in Cash	(824)	(534)	(43)
Ending Cash balance	3,433	4,257	4,206

[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q2'16	Q1'16	Q2'15	QoQ	YoY
Assets					
Current Assets	8,356	9,163	9,657	-807	-1,301
Cash & Cash Equivalents*	3,433	4,257	4,206	-824	-772
Accounts Receivables	2,471	2,266	3,238	+204	-768
Inventories	2,011	2,194	1,751	-183	+260
Non-Current Assets	20,973	20,635	18,807	+339	+2,166
Property, plant & equipment	17,937	17,666	16,084	+270	+1,853
Intangible Assets	1,761	1,736	1,519	+25	+241
Total Assets	29,329	29,798	28,464	-468	+866
Liabilities					
Interest-bearing Debts	4,355	4,381	3,758	-26	+597
S-T Borrowings	60	144	616	-84	-556
Current Portion of LT Borrowings	529	827	962	-298	-433
Bonds/Convertible Bonds	1,734	1,620	760	+114	+974
L-T Borrowings	2,032	1,790	1,419	+242	+613
Accounts Payables	676	633	686	+43	-10
Total Liabilities	7,629	8,333	8,168	-704	-540
Shareholders' Equity					
Capital Stock	3,658	3,658	3,658	+0	+0
Capital Surplus	4,144	4,144	4,144	+0	+0
Retained Earnings	14,732	14,448	12,459	+284	+2,273
Total Shareholders' Equity	21,701	21,465	20,296	+236	+1,405

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

	Q2'16	Q1'16	Q2'15	QoQ	YoY
Sales	3,941	3,656	4,639	8%	-15%
Cost of Goods Sold	2,689	2,338	2,523	15%	7%
Gross Profit	1,252	1,318	2,116	-5%	-41%
SG&A Expenses	799	756	740	6%	8%
Operating Profit	453	562	1,375	-19%	-67%
Financial Income(Expenses), Net	-23	-22	-18		
F/X Transaction & Translation Income (Expense), Net	-47	24	25		
Income (Expense) From Jointly Controlled Entities and Associates, Net	11	3	5		
Other Non-operating Income (Expense), Net	-10	-9	-8		
Income Before Income Taxes	383	558	1,378	-31%	-72%
Income Taxes (Benefit)	97	110	270	-12%	-64%
Net Income	286	448	1,108	-36%	-74%