





## 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 FY2019 Q2 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.



# FY2019 Q2 Financial Results

# Results of Operation

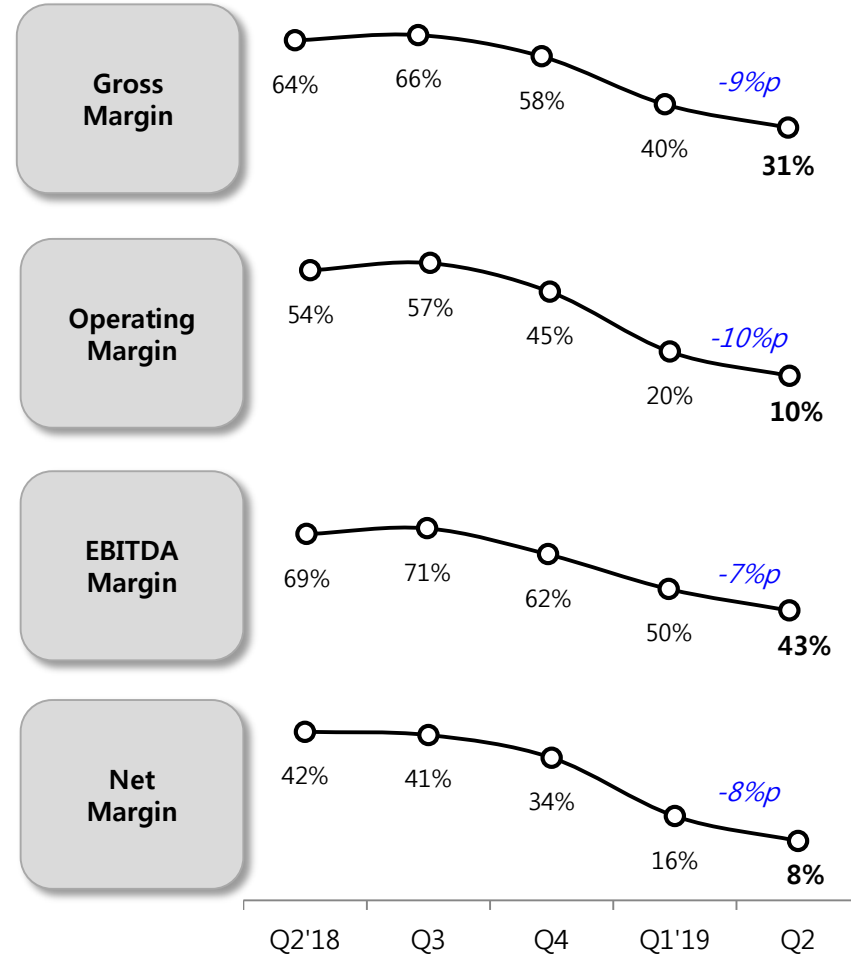
## Income Statement

<i>(Unit: KRW Billion)</i>		Q2'19	Q1'19	Q2'18	QoQ	YoY
<b>Revenue</b>		6,452	6,773	10,371	-5%	-38%
<b>Gross Profit</b>		2,017	2,680	6,608	-25%	-69%
<b>Operating Profit</b>		638	1,366	5,574	-53%	-89%
<b>EBITDA*</b>		2,745	3,397	7,146	-19%	-62%
<b>Net Profit</b>		537	1,102	4,329	-51%	-88%
<b>EPS(KRW)</b>	Basic	783	1,612	6,133		
	Dil.	783	1,612	6,132		
<b>Shares Outstanding (Mil. Shares)</b>	Basic	684	684	706		
	Dil.	684	684	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

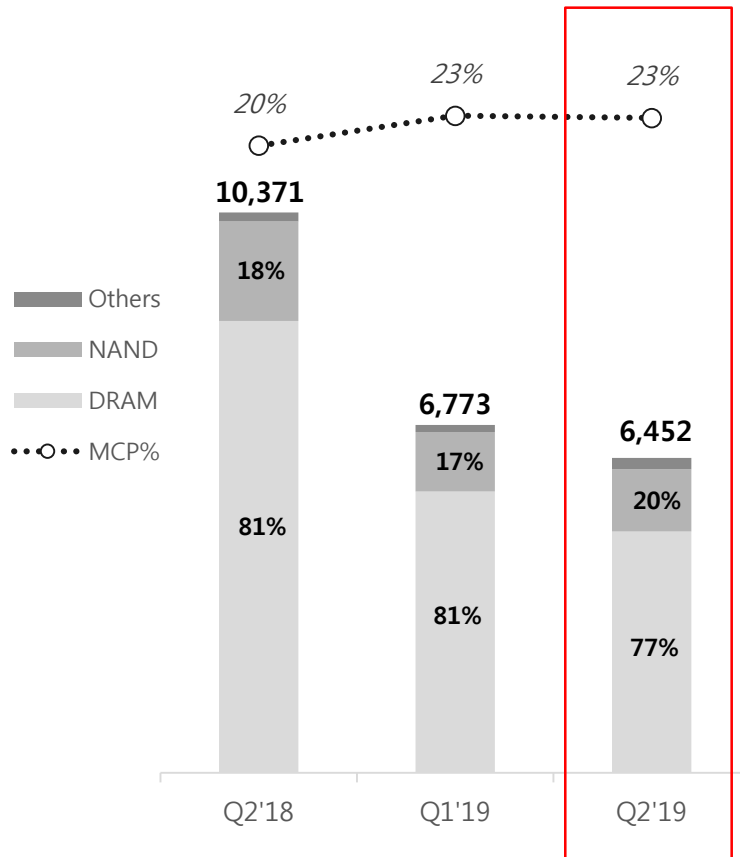
## Profit Margins



# Sales Analysis - 1

## Revenue Trend

(Unit: KRW Billion)



- Amidst increased external uncertainties, Q2'19 revenue decreased 5% QoQ despite unit shipment growth as ASP erosion continued to be sharper than expected

### DRAM

- QoQ **B/G +13%, ASP -24%**
- Purchase postponement from certain customers continued, due to intensified global trade tensions. Responded actively to Mobile and PC demand, which showed relatively higher growth
- Computing products drove further ASP erosion

### NAND

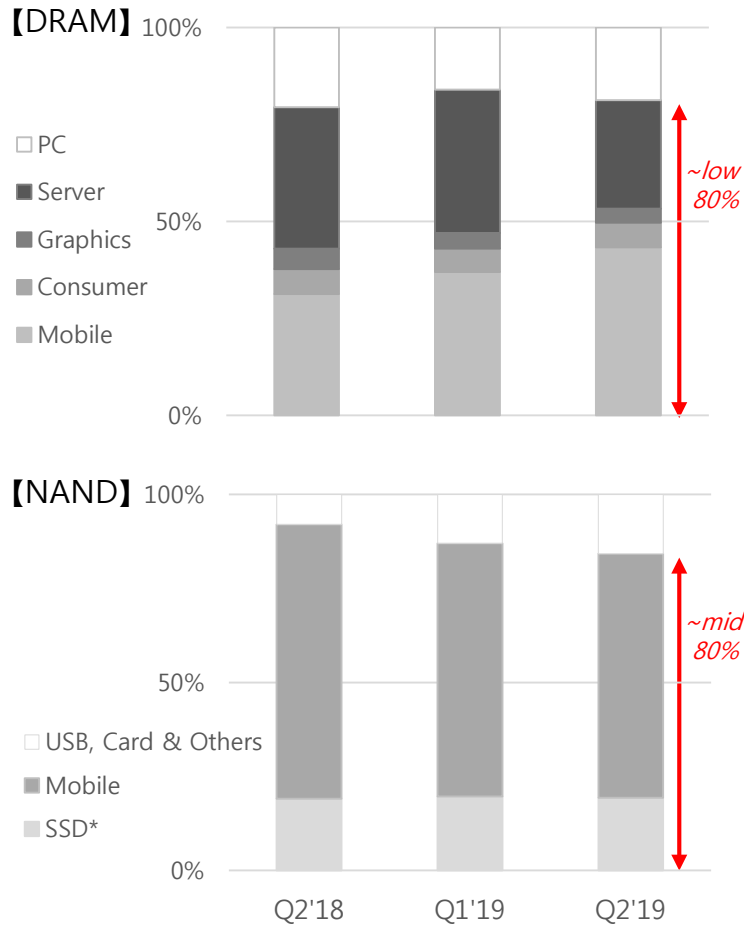
- QoQ **B/G +40%, ASP -25%**
- As price-elastic demand recovery continued, responded actively to high-density mobile solution demand, and temporarily expanded discrete sales to relieve inventory burden
- ASP eroded due to ongoing price competition between suppliers and increased sales mix of discrete products

### MCP

- Increase in demand volatility of Chinese smartphone customers led to sluggish shipment growth and steeper ASP erosion
- Revenue decreased 11% QoQ, while revenue mix was maintained

# Sales Analysis - 2

## Revenue Breakdown by Application



\* including discrete NAND for SSDs

❖ Demand volatility increased as external uncertainty escalated

Mobile  
DRAM  
+  
Mobile  
NAND

- High-end smartphone sales were below expectations, and mobile demand volatility increased due to intensified trade conflicts
- In DRAM, Mobile sales mix expanded as demand was higher and price decline was lower compared to other applications
- In NAND, responded actively to high-density mobile solution demand, but ongoing price competition between suppliers led to slight decrease in mobile sales mix

Server  
DRAM  
+  
eSSD

- Unlike prior expectation for recovery towards the end of last quarter, data center customer demand remained weak due to conservative purchasing behavior

PC/Graphics  
DRAM  
+  
cSSD

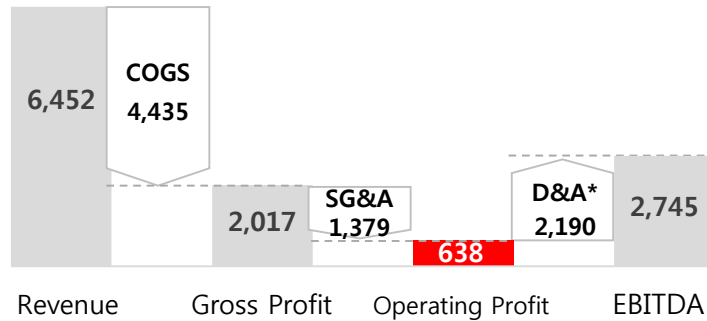
- Demand recovery started from late second quarter, as CPU undersupply condition began to ease
- High-density SSD adoption for PCs also increased sharply

# Profit Analysis

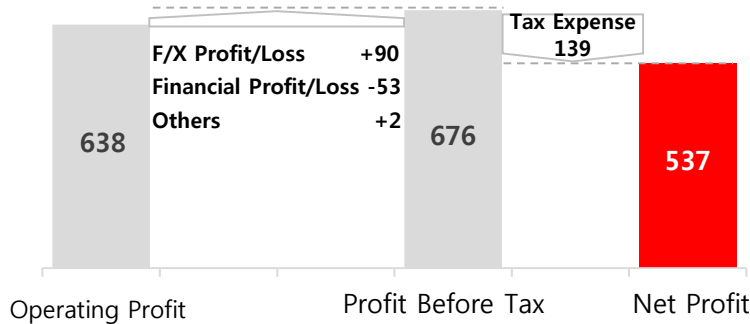
## Q2'19 Profit

【Operating Profit】

(Unit: KRW Billion)



【Net Income】



- Despite cost-per-unit reduction across all applications, cost recognition from initial operations of new Fabs and unit sales increases drove up COGS. Gross Profit reached KRW 2.02T (-25% QoQ) and Operating Profit reached KRW 638B (-53% QoQ) in Q2'19
- Depreciation & Amortization expenses rose as capital investments continued, leading EBITDA to reach KRW 2.75T with EBITDA margin of 43%
- Depreciation of KRW at quarter-end resulted in gain on foreign currency related items and recognized net non-operating profits of approximately KRW 38B
- Corporate tax expense marked to KRW 139B (-63% QoQ)
- Net Profit reached KRW 537B with 8% of Net Profit Margin

\* Depreciation & Amortization

# Capital Structure

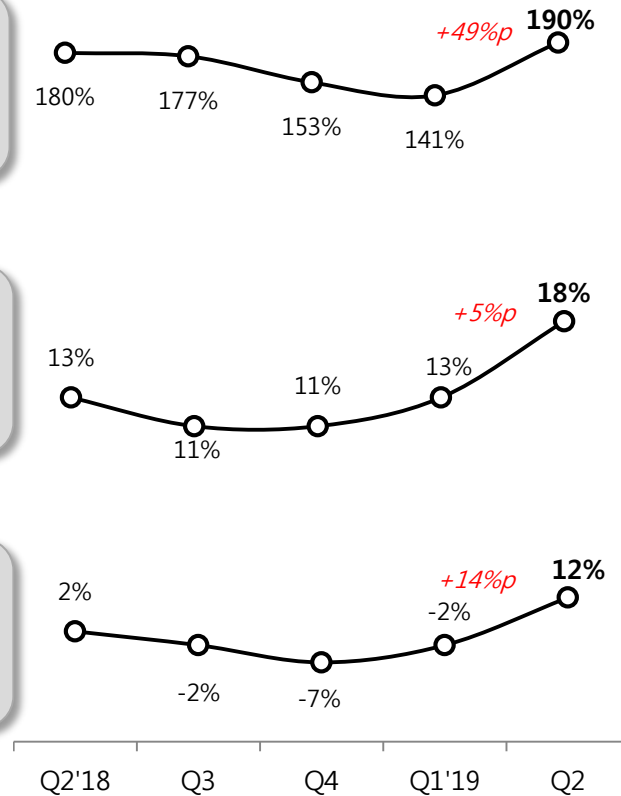
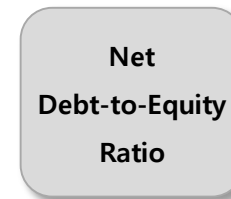
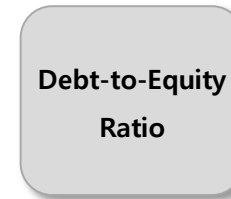
## Balance Sheet

(Unit: KRW Billion)	Q2'19	Q1'19	Q4'18	QoQ	vs. Q4'18
<b>Assets</b>	<b>63,032</b>	<b>65,132</b>	<b>63,658</b>	-2,099	-626
Cash*	3,110	7,192	8,369	-4,082	-5,260
<b>Liabilities</b>	<b>15,321</b>	<b>17,965</b>	<b>16,806</b>	-2,644	-1,485
Debt **	8,747	6,147	5,282	+2,600	+3,465
<b>Shareholders' Equity</b>	<b>47,711</b>	<b>47,166</b>	<b>46,852</b>	+545	+858
Capital Stock	3,658	3,658	3,658	-	-
Retained Earnings	42,635	42,104	42,034	+530	+601

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

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

## Stability Ratios



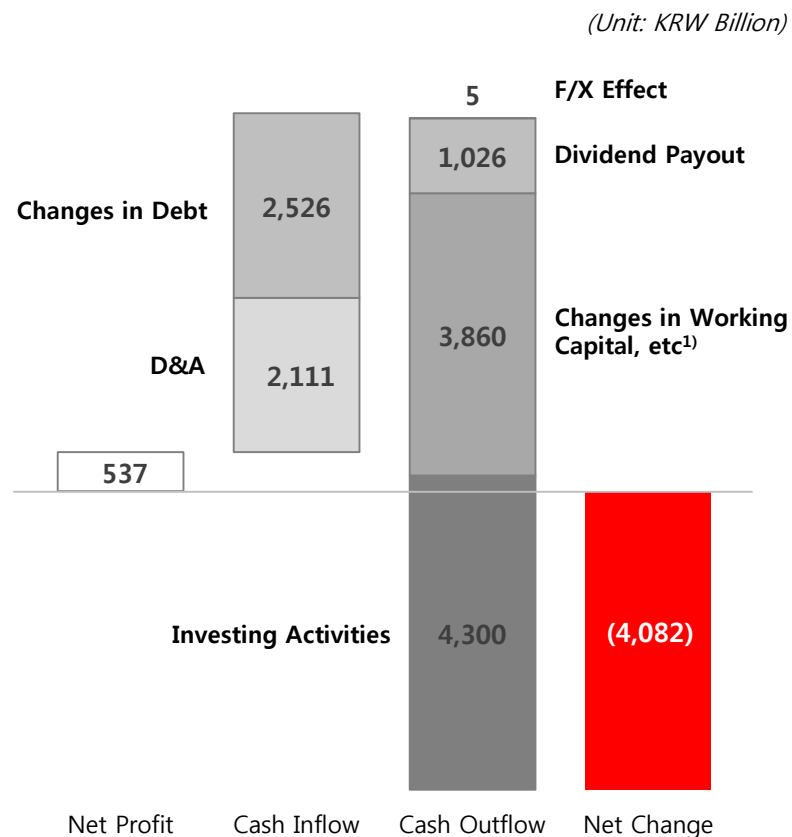


# Cash Flow

## Cash Flow

<i>(Unit: KRW Billion)</i>	Q2'19	Q1'19	Q2'18
Beginning Cash Balance	7,192	8,369	8,266
CF from Operating Activities	(1,212)	2,658	3,652
Net Profit	537	1,102	4,329
D&A*	2,111	2,038	1,575
Changes in Working Capital	(3,860)	(483)	(2,251)
CF from Investing Activities	(4,300)	(4,669)	(8,286)
Acquisition of PP&E	(4,148)	(4,350)	(4,142)
CF from Financing Activities	1,435	807	711
Changes in Debt	2,526	875	1,417
Dividend Payout	(1,026)	0	(706)
Share Repurchase	0	0	0
Effect of F/X rate changes on Cash & Equivalents	(5)	27	62
Net Changes in Cash	(4,082)	(1,178)	(3,860)
Ending Cash Balance	3,110	7,192	4,405

## Q2'19 Net Cash Flow



<sup>1)</sup> Including Corporate Tax Payments for FY2018

\* Including depreciation for non-operating(idle) assets

## [Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q2'19	Q1'19	Q4'18	QoQ	YoY
<b>Assets</b>					
Current Assets	14,243	18,618	19,894	-4,375	-5,651
Cash & Cash Equivalents*	3,110	7,192	8,369	-4,082	-5,260
Accounts Receivables	4,803	5,497	6,320	-694	-1,517
Inventories	5,589	5,117	4,423	+471	+1,166
Non-Current Assets	48,790	46,513	43,764	+2,276	+5,025
Property, plant & equipment	38,445	36,385	34,953	+2,060	+3,493
Intangible Assets	2,574	2,612	2,679	-38	-105
<b>Total Assets</b>	<b>63,032</b>	<b>65,132</b>	<b>63,658</b>	<b>-2,099</b>	<b>-626</b>
<b>Liabilities</b>					
Interest-bearing Debts	8,747	6,147	5,282	+2,600	+3,465
S-T Borrowings	1,284	1,408	586	-124	+698
Current Portion of LT Borrowings	794	1,103	1,029	-309	-234
Bonds/Convertible Bonds	2,483	1,506	1,506	+977	+977
L-T Borrowings	4,186	2,130	2,162	+2,056	+2,024
Accounts Payables	1,036	953	1,096	+84	-60
<b>Total Liabilities</b>	<b>15,321</b>	<b>17,965</b>	<b>16,806</b>	<b>-2,644</b>	<b>-1,485</b>
<b>Shareholders' Equity</b>					
Capital Stock	3,658	3,658	3,658	-	-
Capital Surplus	4,144	4,144	4,144	-	-
Retained Earnings	42,635	42,104	42,034	+530	+601
<b>Total Shareholders' Equity</b>	<b>47,711</b>	<b>47,166</b>	<b>46,852</b>	<b>+545</b>	<b>+858</b>

\* Short-term Financial Instruments included

## [Attachment 2] Income Statement

K-IFRS (KRW Billion)

		Q2'19	Q1'19	Q2'18	QoQ	YoY
Revenue		6,452	6,773	10,371	-5%	-38%
Cost of Goods Sold		4,435	4,092	3,762	+8%	+18%
Gross Profit		2,017	2,680	6,608	-25%	-69%
SG&A Expenses		1,379	1,314	1,034	+5%	+33%
Operating Profit		638	1,366	5,574	-53%	-89%
Net Financial Profit/Loss		-53	-30	-2		
Net F/X Transaction & Translation Profit/Loss		90	113	391		
Income (Expense) From Jointly Controlled Entities and Associates, Net		6	4	4		
Others		-4	25	-64		
EBITDA		2,745	3,397	7,146	-19%	-62%
Income Before Tax		676	1,480	5,903	-54%	-89%
Tax Expense/Benefit		139	377	1,575	-63%	-91%
Net Profit		537	1,102	4,329	-51%	-88%
EPS(KRW)	Basic	783	1,612	6,133		
	Diluted	783	1,612	6,132		
Shares Outstanding (Mil. Shares)	Basic	684	684	706		
	Diluted	684	684	706		