



SK Hynix FY2014 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 FY2014 Q3 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 Q3 Earnings Results & Operational Performance

Results of Operation

(Unit: KRW Billion)

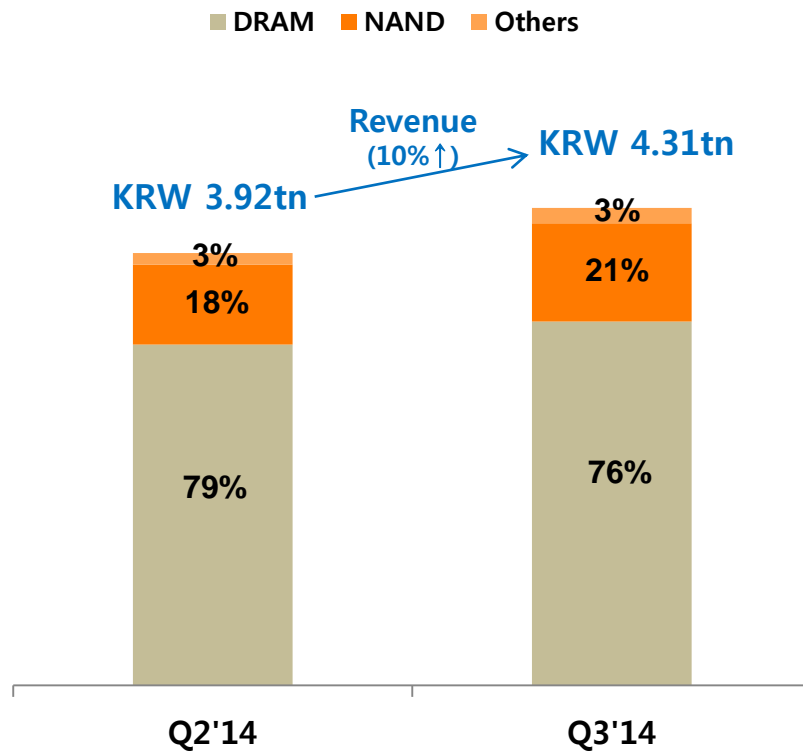
		Q3'14	QoQ	Q2'14	Q3'13	YoY
Revenue		4,312	+10%	3,923	4,084	+6%
Gross Profit (Loss)		1,935	+15%	1,677	1,704	+14%
Operating Profit (Loss)		1,301	+20%	1,084	1,164	+12%
EBITDA*		2,174	+14%	1,915	1,867	+16%
Net Profit (Loss)		1,095	+63%	674	958	+14%
EPS (Won)	Basic	1,515		940	1,349	
	Diluted	1,510		940	1,289	
Shares Outstanding (Mil. shares)	Basic	722		716	710	
	Diluted	724		716	726	
Gross Margin		45%	+2%p	43%	42%	+3%p
OP Margin		30%	+2%p	28%	29%	+1%p
EBITDA Margin		50%	+1%p	49%	46%	+4%p
Net Margin		25%	+8%p	17%	23%	+2%p

* EBITDA = Operating Profit + Depreciation & Amortization

Sales Analysis

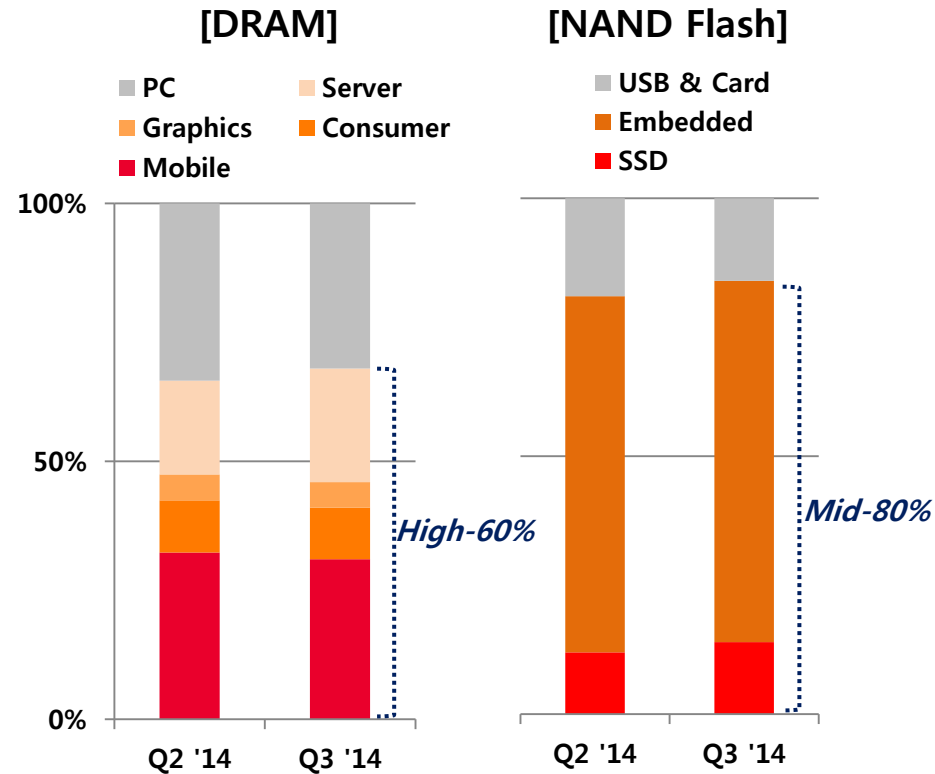
- With sound industry-wide demand trends & stable pricing, our tech migration ramp-up and profit maximization efforts led to historical-high quarterly revenue.
- 2Ynm DRAM ramp-up & Mix optimization from better-than-expected PC & Server DRAM demand led to bit shipment increase of 7% QoQ. Strong PC DRAM pricing positively affected other product prices leading to increased DRAM Revenue. (DRAM B/G +7% QoQ, ASP flat)
- With higher 1Xnm NAND portion, we increased bit shipment to solution products such as embedded NAND & SSD. Pricing stabilized on the back of demand pick-up from mobile devices, leading to NAND Revenue increase. (NAND B/G +26% QoQ, ASP -2%)

Revenue Mix by Product



※ MCP Revenue portion maintained at 11% in Q3

Application Mix



※ Revenue portion

※ Bit portion

Profit Analysis

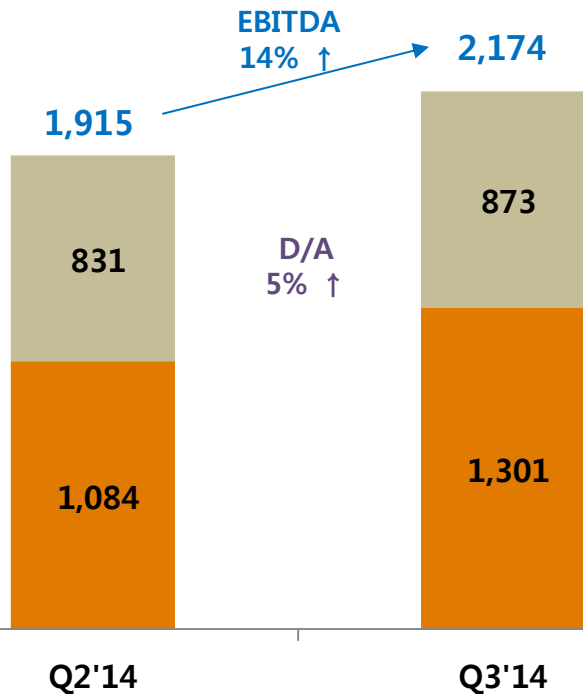
- Under stable pricing environment, we recorded historical-high profits with substantial improvement in NAND profitability & sound DRAM & MCP profitability. Unit cost reduction through further tech migration & profit-oriented Product Mix were key contributing factors.

(+) factor: unit cost reduction from increased bit shipments, 2Ynm DRAM tech portion increase & yield ramp-up, increased portion of high valued-added products such Mobile, Server & SSD

Operating Profit & EBITDA

Unit : KRW Billion

■ D&A
■ Operating Profit



Profit Margins

	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
OPM	11%	28%	29%	23%	28%	28%	30%
EBITDA Margin	39%	48%	46%	45%	50%	49%	50%
Net Margin	6%	24%	23%	23%	21%	17%	25%

Non-Operating Gain & Loss

(Unit: KRW Billion)

	Q3 '14	QoQ	Q2 '14	Q3 '13	YoY
Net Non-Operating Gain (Loss)	14	+240	(226)	(145)	+158
Net Financial Gain (Loss)	(28)	+10	(38)	(44)	+16
Net F/X Transaction & Translation Gain (Loss)	62	+40	22	98	-36
Net Gain (Loss) on equity method investments	2	-0	3	6	-3
Other Net Non-Operating Gain (Loss)	(23)	+190	(212)	(205)	+182
Income Tax Expense (Income)	220	+36	184	62	+158

Capital Structure

(Unit: KRW Billion)

	Q3 '14	QoQ	Q2 '14	Q4 '13	vs. Q4'13
Assets	24,081	+1,525	22,557	20,797	+3,284
Cash*	3,700	+620	3,080	2,786	+914
Liabilities	7,791	-156	7,947	7,730	+61
Debt**	4,131	-20	4,151	4,550	-419
Shareholders' Equity	16,290	+1,680	14,610	13,067	+3,223
Capital Stock	3,650	+51	3,598	3,569	+81
Retained Earnings	8,772	+1,095	7,677	6,201	+2,571
Debt-to-Equity Ratio	25%	-3%p	28%	35%	-10%p
Net Debt-to-Equity Ratio	3%	-4%p	7%	13%	-10%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)

	Q3 '14	Q2 '14	Q3 '13
Beginning Cash balance*	3,080	3,138	2,435
CF from Operating Activities	1,632	1,819	2,184
Pre-tax Income	1,095	674	958
Depreciation & Amortization**	874	833	761
Changes in working capital, etc	(337)	312	465
CF from Investing Activities	(1,225)	(1,482)	(1,152)
Acquisition of PP&E	(1,253)	(1,481)	(1,105)
CF from Financing Activities	200	(376)	(358)
Debt issuance, net of repayment***	200	(376)	(359)
Net increase (decrease) in Cash	620	(58)	657
Ending Cash balance	3,700	3,080	3,092

* 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)

	Q3'14	Q2'14	Q4'13	QoQ	vs. Q4'13
Assets					
Current Assets	8,394	7,171	6,653	17%	26%
Cash & Cash Equivalents*	3,700	3,080	2,786	20%	33%
Accounts Receivables	2,800	2,280	1,942	23%	44%
Inventories	1,503	1,366	1,178	10%	28%
Non-Current Assets	15,687	15,386	14,144	2%	11%
Property, plant & equipment	13,536	13,263	12,130	2%	12%
Intangible Assets	1,256	1,205	1,110	4%	13%
Total Assets	24,081	22,557	20,797	7%	16%
Liabilities					
Interest-bearing Debts	4,131	4,151	4,550	0%	-9%
S-T Borrowings	823	526	138	57%	497%
Current Portion of LT Borrowings	978	1,431	732	-32%	34%
Bonds/Convertible Bonds	1,152	1,148	1,950	0%	-41%
L-T Borrowings	1,178	1,045	1,730	13%	-32%
Accounts Payables	633	683	649	-7%	-2%
Total Liabilities	7,791	7,947	7,730	-2%	1%
Shareholders' Equity					
Common Stock	3,650	3,598	3,569	1%	2%
Total Shareholders' Equity	16,290	14,610	13,067	12%	25%

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

	Q3'14	Q2'14	Q3'13	QoQ	YoY
Sales	4,312	3,923	4,084	389	228
Cost of Goods Sold	2,377	2,246	2,379	131	-3
Gross Profit	1,935	1,677	1,704	259	231
SG&A Expenses	634	593	540	41	94
Operating Profit	1,301	1,084	1,164	217	137
Financial Income(Expenses), Net	-28	-38	-44	10	16
F/X Transaction & Translation Income (Expense), Net	62	22	98	40	-36
Income (Expense) From Jointly Controlled Entities and Associates, Net	2	3	6	-0	-3
Other Non-operating Income (Expense), Net	-23	-212	-205	190	182
Income Before Income Taxes	1,315	858	1,020	457	295
Income Taxes (Benefit)	220	184	62	36	158
Net Income	1,095	674	958	421	137

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