

SK Hynix FY2012 Q3 Earnings Results



Oct 24, 2012

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 Q3 FY2012 financial results has not been finalized. Figures in this earnings release are subjected to changes during the independent auditing process.





Q3 2012 Earnings Results & Operational Performances

Results of Operation

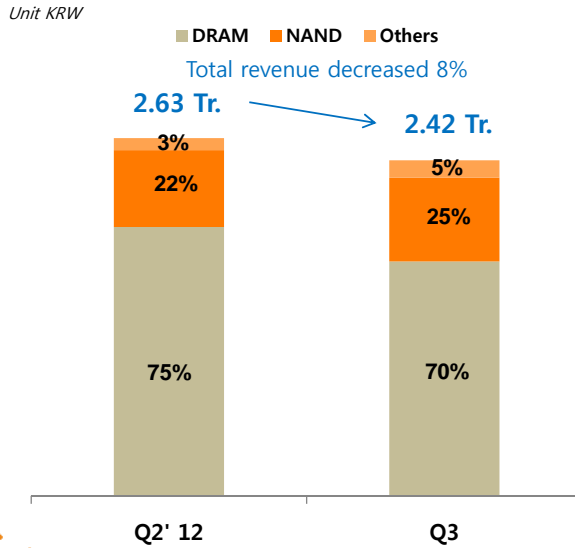
(Unit: KRW Billion)

	Q3'12	QoQ	Q2 '12	Q3 '11	YoY
Revenue	2,423	-8%	2,632	2,291	+6%
Gross Income	402	-15%	473	108	+271%
Operating Income	-15	turned to loss	23	-277	+95%
EBITDA	776	-2%	793	614	+26%
Net Income	2	turned to profit	-53	-563	turned to profit
EPS(Won)	Basic	3	-77	-948	
	Diluted	-12	-102	-948	
Shares Outstanding (Million Shares)	Basic	694	694	592	
	Diluted	712	711	592	
Gross Margin	17%	-1%p	18%	5%	+12%p
Operating Margin	-1%	-2%p	1%	-12%	+11%p
EBITDA Margin	32%	+2%p	30%	27%	+5%p
Net Margin	0%	+2%p	-2%	-25%	+25%p

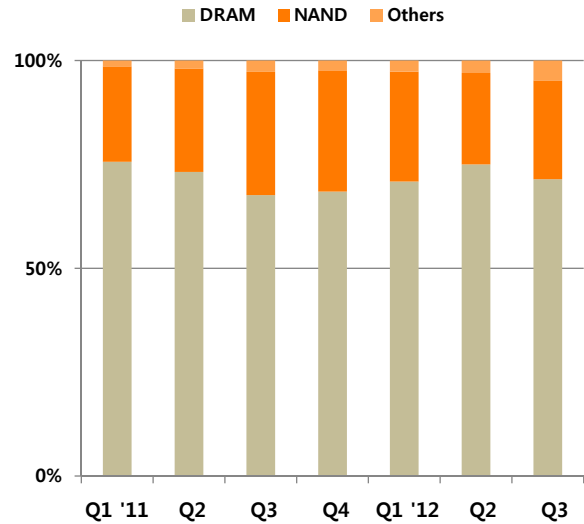
Sales Analysis

- Despite increased NAND sales, DRAM sales declined on weak demand, resulting in sequential decline in total sales.
- By reducing PC DRAM portion and increasing portion of premium products such as Mobile DRAM, eMMC & MCP, we minimized market effects.
 - DRAM sales: Bit shipment decreased 5% sequentially, ASP declined 8% sequentially
 - NAND Flash sales: Bit shipment increased 5% sequentially, ASP improved 4% sequentially

Sales by Product



Sales portion by Product



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

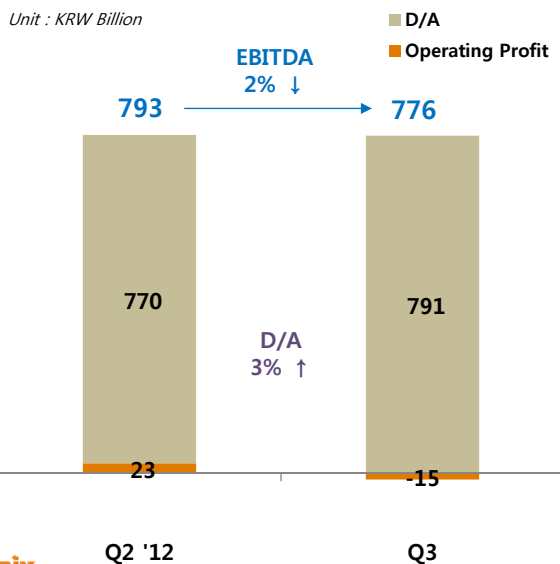
Operating Profit Analysis

- Despite increased sales of premium products & unit cost reduction from tech migration, DRAM prices declined continuously leading to operating loss for the quarter.

(+) factor: Increased sales of Mobile DRAM, eMMC & MCP, 3Xnm portion increase to over 50% for Mobile & Graphics DRAM, 2Ynm NAND tech migration progress on track & NAND price recovery

(-) factor: continued PC DRAM price decline, increased D&A, Strong KRW against USD

Profit Amount



Profitability Ratios

	2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
OP Margin	12%	16%	-12%	-7%	-11%	1%	-1%
EBITDA Margin	42%	48%	27%	26%	24%	30%	32%
Net Margin	10%	17%	-25%	-9%	-11%	-2%	0%



Non-Operating Gain & Loss

(Unit: KRW Billion)

	Q3 '12	QoQ	Q2 '12	Q3 '11	YoY
Net Non-Operating Gain (loss)	20	+87	(67)	(275)	+295
Net Financial Gain (loss)	(60)	-5	(55)	(55)	-5
Net F/X Transaction & Translation Gain (loss)	81	+108	(27)	(250)	+330
Net Gain (loss) on equity method investments	4	+4	0	1	+3
Net Other Non-Operating Gain (loss)	(5)	-19	14	28	-33
Income Tax Expense (Income)	3	-6	9	11	-8



Capital Structure

(Unit: KRW Billion)

	Q3 '12	QoQ	Q2 '12	Q4 '11	vs. Q4'11
Asset	19,222	-613	19,835	17,238	+1,984
Cash*	1,790	-1,199	2,990	1,876	-86
Liability	9,436	-540	9,976	9,363	+73
Debt**	6,720	+92	6,628	6,776	-57
Shareholders' Equity	9,786	-73	9,860	7,875	+1,911
Capital Stock	3,488	0	3,488	2,978	+510
Retained Earnings	3,233	+2	3,231	3,555	-323
Debt-to-Equity Ratio	69%	+2%p	67%	86%	-17%p
Net Debt-to-Equity Ratio	50%	+13%p	37%	62%	-12%p

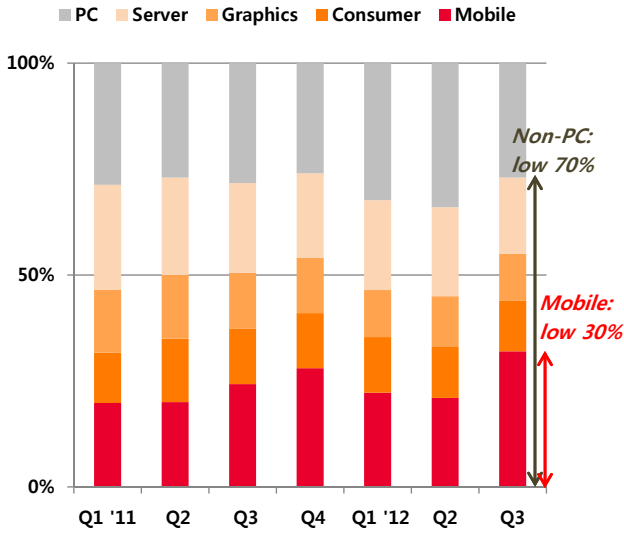
* Cash = Cash & Cash Equivalents + Short-term Financial Instruments

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



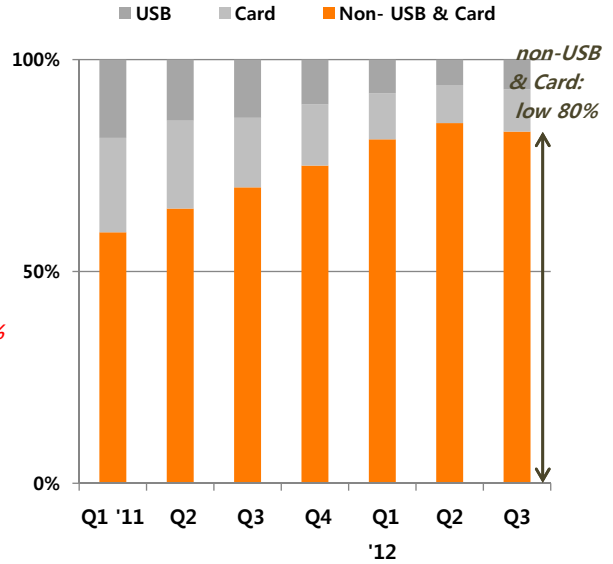
Sales Breakdown by Application

DRAM



* Revenue portion

NAND Flash

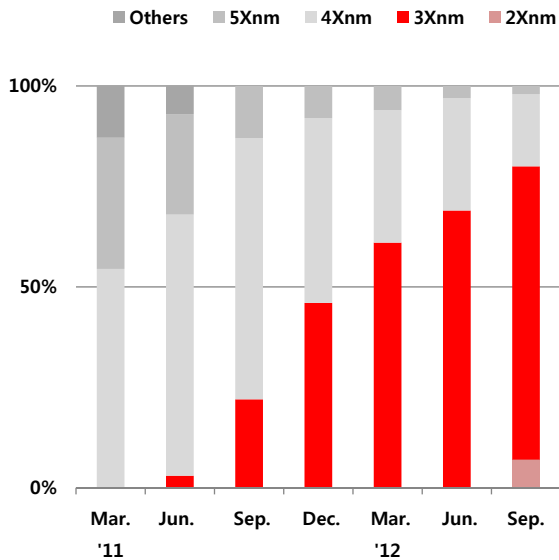


* Bit portion



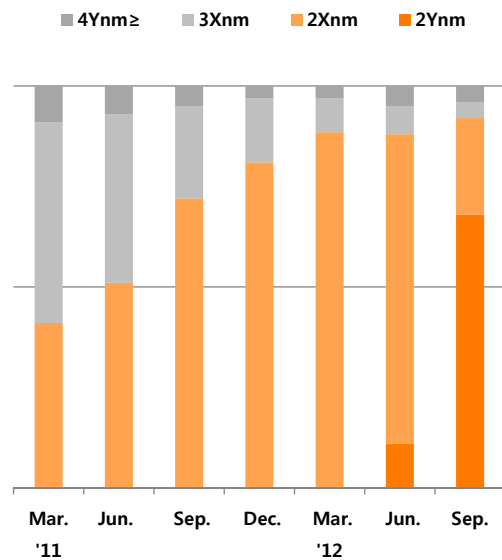
Technology Migration Progress

DRAM



* Quarter-end, bit production basis

NAND Flash



* Quarter-end, bit production basis



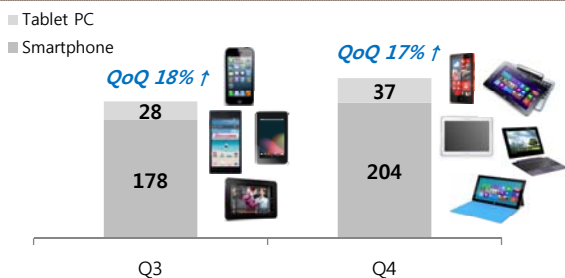


Q4 2012 Memory Market Outlook

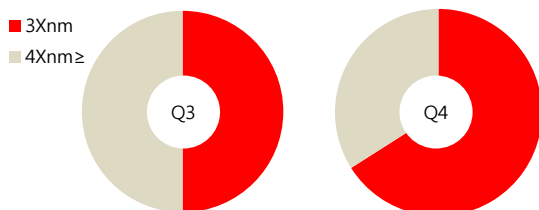
Q4 Memory Market Outlook

- PC market expected to recover sequentially due to new product launches, but remains challenging.
- Strong demand for Mobile DRAM & NAND expected to continue on the back of increased sales of new smartphone & tablet PC models.
- Demand for smartphones, particularly for low-end models is expected to drive sound growth for mobile products in emerging markets.
- We will deal with changing market dynamics by expanding Mobile DRAM & Embedded NAND solutions portion, by focusing on cost improvement and by enhancing our market position in the emerging markets focused on China.

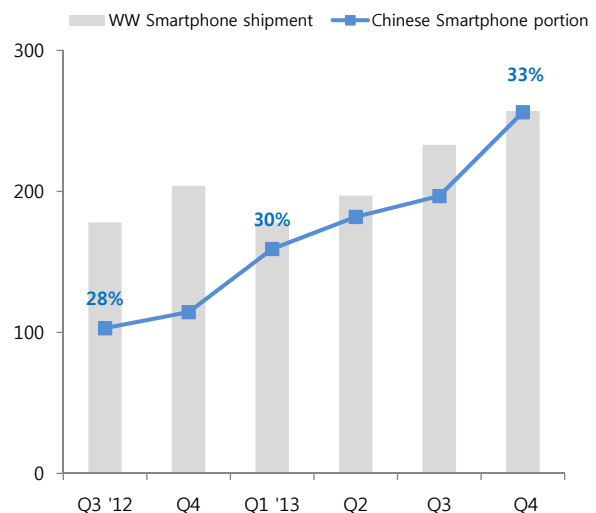
Major Mobile Applications Shipment Outlook (Unit: Mpcs)



SK Hynix Mobile DRAM 3Xnm portion (Quarter avg.)



Smartphone Market Outlook in China (Unit: Mpcs)



(Source: SK Hynix Marketing)

[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q3'12	Q2'12	Q4'11	QoQ	vs. Q4'11
Assets					
Current Assets	5,383	6,434	4,937	-1,051	446
Cash & Cash Equivalents*	1,790	2,990	1,876	-1,199	-86
Accounts Receivables	1,655	1,692	1,541	-37	114
Inventories	1,558	1,349	1,184	209	374
Non-Current Assets	13,839	13,401	12,301	438	1,538
Investments	728	680	694	48	34
Property, plant & equipment	12,112	12,009	10,899	103	1,213
Intangible Assets	999	712	708	287	292
Total Assets	19,222	19,835	17,238	-613	1,984
Liabilities					
Interest-bearing Debts	6,720	6,628	6,776	92	-57
S-T Borrowings	731	1,129	1,416	-398	-685
Current Portion of LT Borrowings	1,926	1,387	1,414	539	512
Debenture	1,455	2,040	2,463	-585	-1,008
L-T Borrowings	2,607	2,073	1,483	535	1,125
Accounts Payables	778	797	678	-20	99
Total Liabilities	9,436	9,976	9,363	-540	73
Shareholders' Equity					
Common Stock	3,488	3,488	2,978	0	510
Total Shareholders' Equity	9,786	9,860	7,875	-73	1,911

* Short-term Financial Instruments included

[Attachment 2] Income Statement

K-IFRS (KRW Billion)

	Q3'12	Q2'12	Q3'11	QoQ	YoY
Sales	2,423	2,632	2,291	-208	132
Cost of Goods Sold	2,021	2,159	2,183	-137	-161
Gross Profit	402	473	108	-71	294
SG&A Expenses	433	472	400	-39	33
Other Operating Profit/Loss	16	22	15	-6	1
Operating Profit	-15	23	-277	-38	262
Financial Income(Expenses), Net	-60	-55	-55	-5	-5
F/X Transaction & Translation Income (Expense), Net	81	-27	-250	108	330
Income (Expense) From Jointly Controlled Entities and Associates, Net	4	0	1	4	3
Other Non-operating Income (Expense), Net	-5	14	28	-19	-33
Income Before Income Taxes	5	-44	-552	49	557
Income Taxes (Benefit)	3	9	11	-6	-8
Net Income	2	-54	-563	56	565