



Hynix Semiconductor

Q3 2011 Earnings Results

October 27th, 2011



Disclaimer

This material contains forward-looking statements which can be subject to certain risk and uncertainties that could cause actual results to differ materially.

As of January 1, 2011, Hynix Semiconductor Inc. adopted International Financial Reporting Standards (K-IFRS). All financial information contained in this document is based on consolidated K-IFRS. For the convenience of users, financial results of 2010 are presented based on K-IFRS and may differ from previously disclosed financial information provided based on K-GAAP.

Review of the Q3 FY2011 financial results has not been finalized. Figures in this earnings release are subjected to changes during the independent auditing process.



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2. Q4 2011 Market Outlook

Q3 2011 Earnings Results (K-IFRS) & Operational Performances



Results of Operations

Unit: KRW Billion

		Q3 '11	QoQ	Q2 '11	Q3 '10	YoY
Revenue		2,291	-17%	2,758	3,252	-30%
Gross Income		108	-83%	631	1,313	-92%
Operating Income		-277	N/A	447	924	N/A
EBITDA		614	-53%	1,311	1,710	-64%
Net Income		-563	N/A	473	1,041	N/A
EPS(Won)	Basic	-948		796	1,786	
	Diluted	-948		709	1,611	
Number of Shares (Million Shares)	Basic	592		592	590	
	Diluted	592		629	629	
Gross Margin		5%	-18%p	23%	40%	-36%p
Operating Margin		-12%	-28%p	16%	28%	-40%p
EBITDA Margin		27%	-21%p	48%	53%	-26%p
Net Margin		-25%	-42%p	17%	32%	-57%p

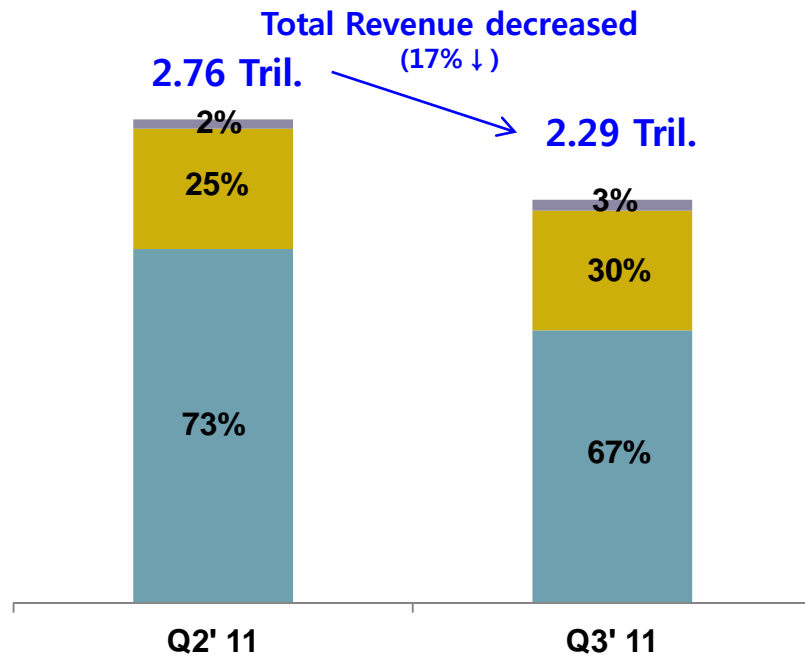
Sales Analysis

- Q3 revenue decreased mainly due to DRAM sales decline as a result of higher-than-expected DRAM ASP drop
- DRAM sales reduced as: ASP declined 29%, Bit shipment increased 9%(QoQ)
- NAND Flash sales maintained as: ASP declined 14%, Bit shipment increased 16%(QoQ)

Sales by Products

Unit : KRW

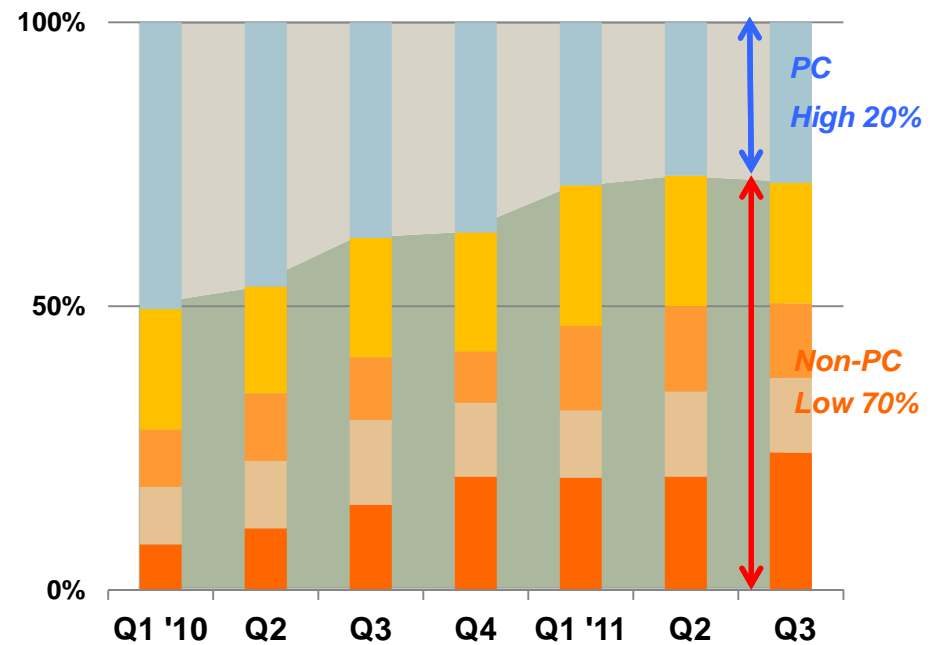
■ DRAM ■ NAND ■ Others



※ MCP Sales portion increased from 11% to 13%(QoQ).

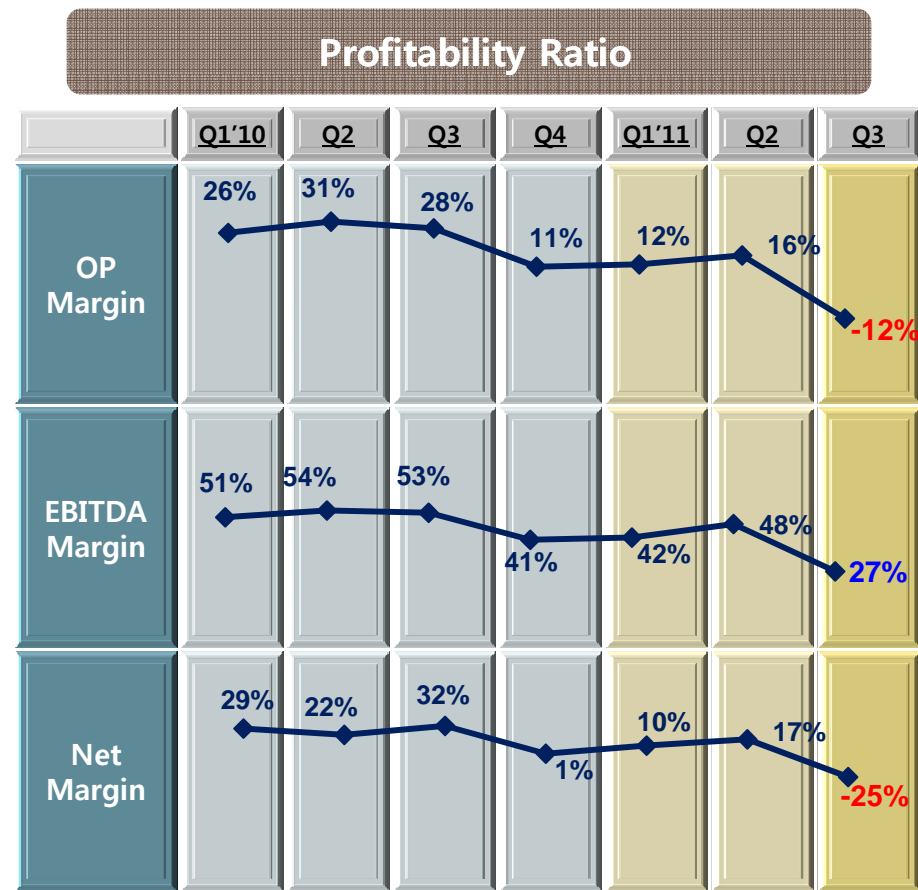
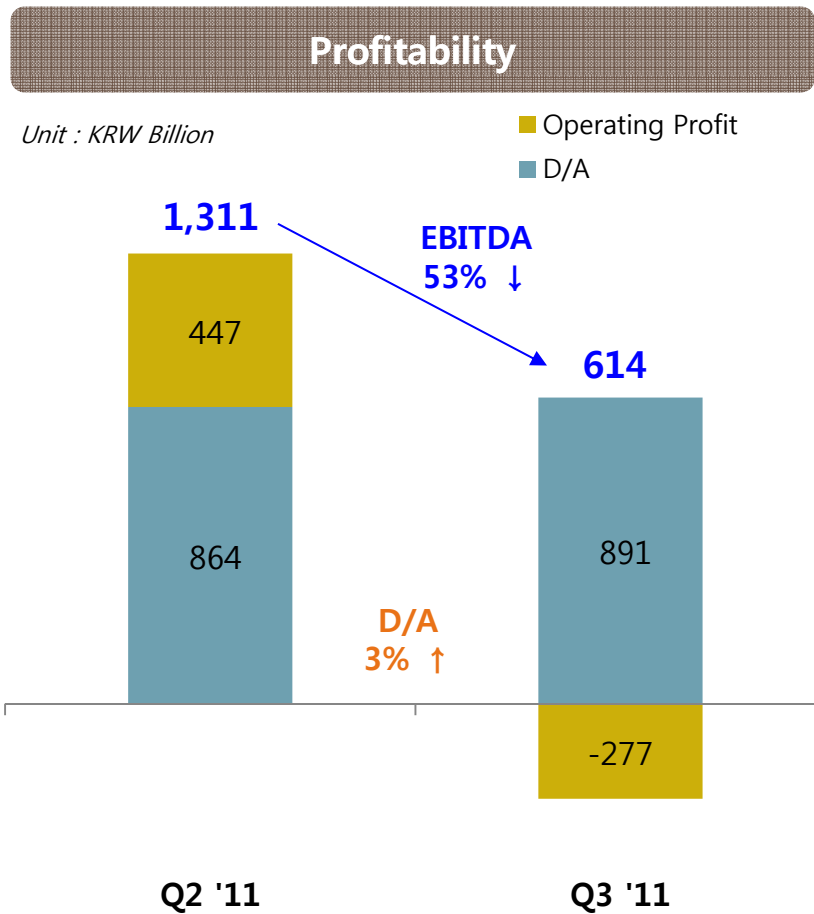
Sales % by Application

■ PC ■ Server ■ Graphics ■ Consumer ■ Mobile



Profit Analysis

- Recorded an operating loss despite unit cost reduction, due to sharp DRAM ASP decline & inventory write down
- (+) factors: Substantial yield improvement and unit cost reduction from continuous technology migration
- (-) factors: Decrease of operating profit and margin by memory ASP drop, loss from inventory valuation



Non-OP Income & Expense

Unit: KRW Billion

	Q3 '11	QoQ	Q2 '11	Q3 '10	YoY
Net Non-Operating Income	(275)	-300	26	110	-384
Net Financial Income	(55)	+11	(66)	(66)	+11
Net FX Transaction & Translation	(250)	-313	64	133	-383
Others	30	+2	28	42	-12
Income Taxes	11	+12	(1)	(7)	+18

Capital Structure

Unit: KRW Billion

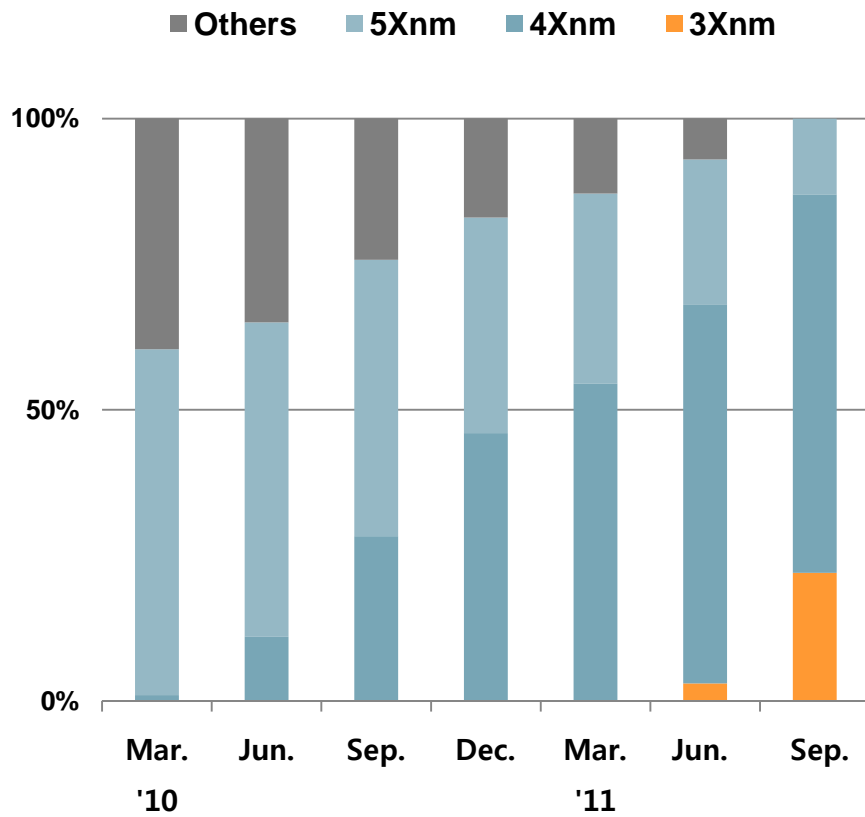
	Q3 '11	QoQ	Q2 '11	Q4 '10	YoY
Asset	18,042	+526	17,516	17,468	+574
Cash*	1,995	+215	1,780	2,202	-207
Liability	9,775	+818	8,957	9,491	+284
Debt**	7,063	+879	6,184	6,041	+1,022
Shareholder's Equity	8,266	-292	8,559	7,977	+290
Capital Stock	2,978	-	2,978	2,969	+9
Retained Earnings	3,923	-561	4,484	3,828	+95
BPS (Won)	12,765		13,310	12,488	
Debt-to-Equity Ratio	85%	+13%p	72%	76%	+10%p
Net Debt-to-Equity Ratio	61%	+10%p	51%	48%	+13%p

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

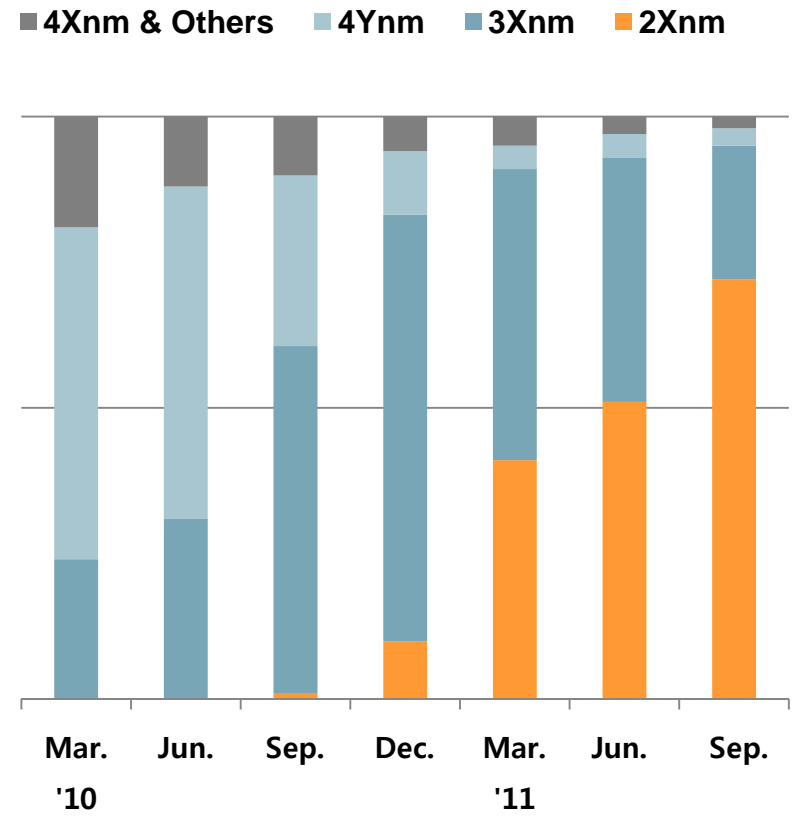
** Debt = Short-term Borrowings + Current position of Long-term Borrowings + Convertible Bond + Debenture + Long-term Borrowings

Migration Progress

DRAM

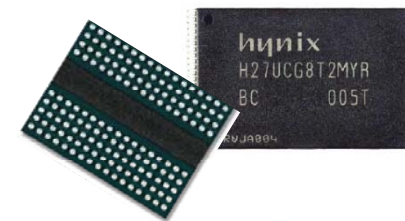


NAND Flash



* Quarter-end, Package out basis

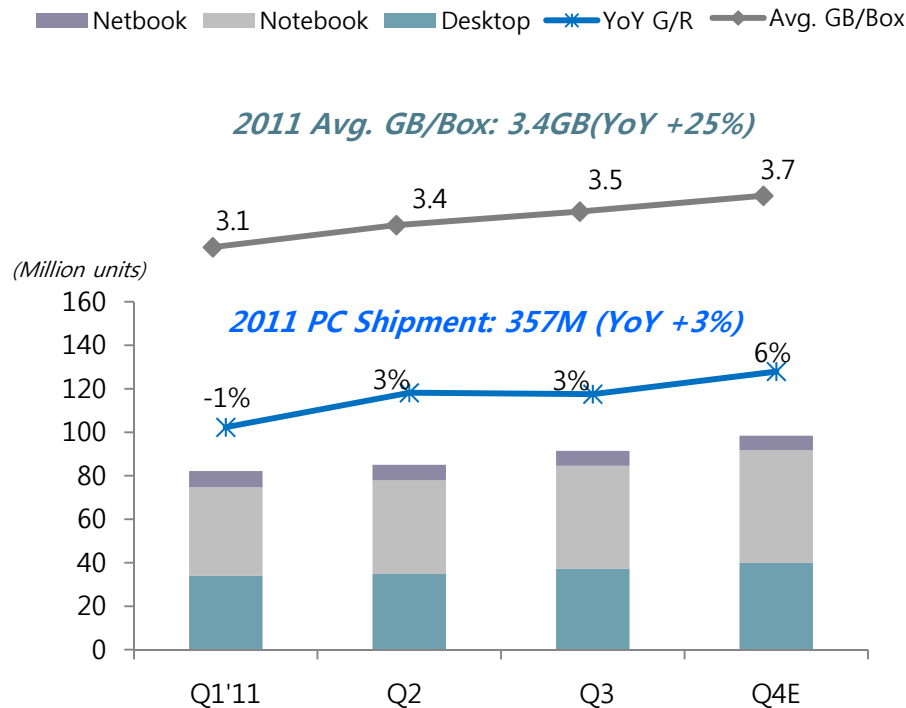
Q4 2011 Market Outlook



Market Outlook - DRAM

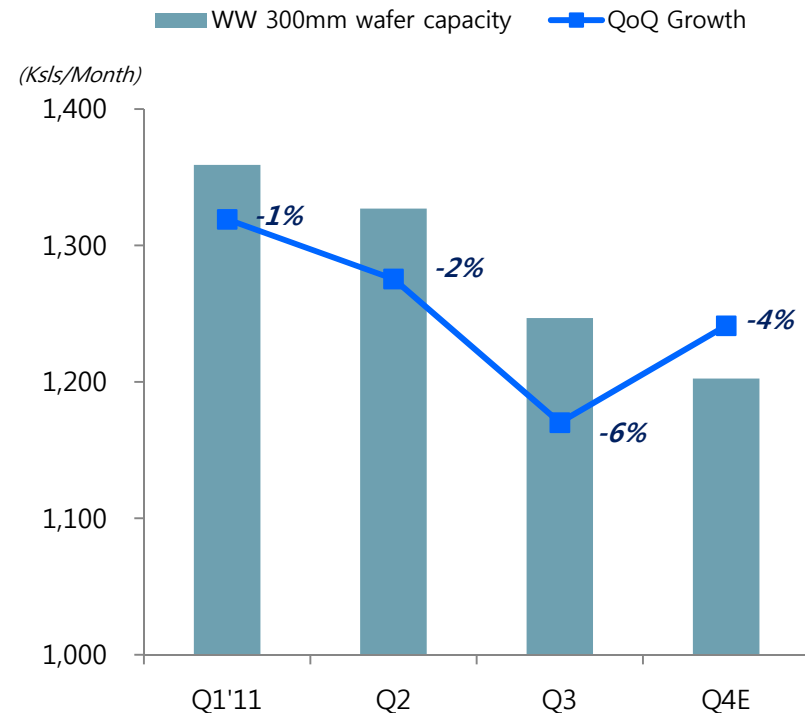
- With ongoing global macroeconomic uncertainty, demand weakness in PC market expected to continue (PC OEMs carrying excess inventory levels)
- DRAM suppliers have started production adjustments, thus expected to positively affect supply/demand balance
- Relatively stable mobile DRAM supply & demand expected due to the launch of new smartphones and tablet PC models
- Increased competition between suppliers in the server market is expected to continue

2011 PC Market Outlook



*. Source: Hynix Marketing (excluding PC Server / Desktop, Notebook, Netbook Only)

WW DRAM Capacity Trend

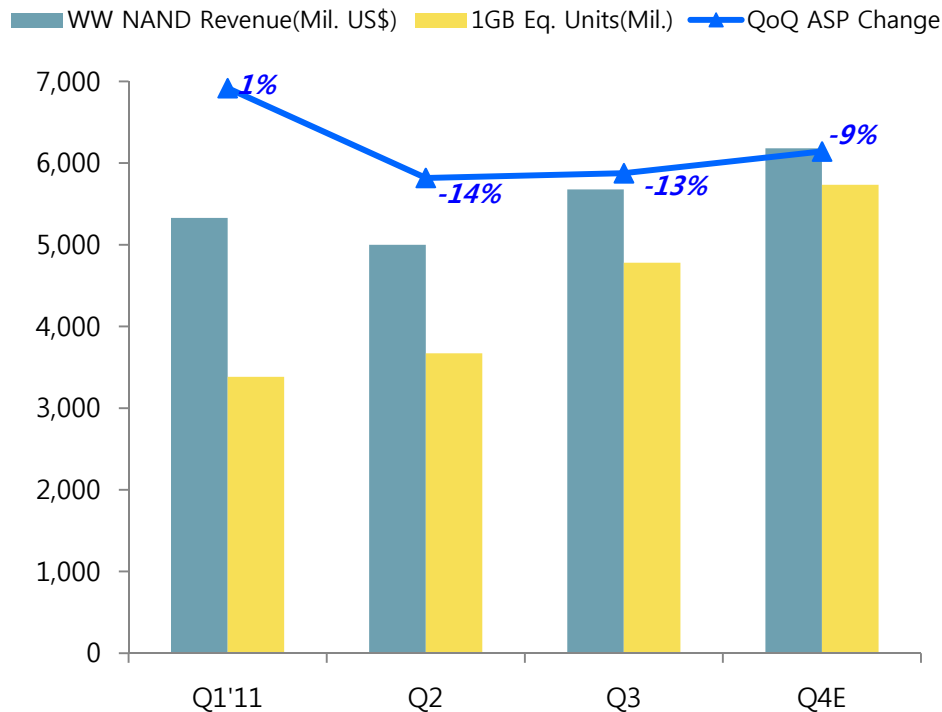


*. Source: IDC Sep.2011

Market Outlook - NAND Flash

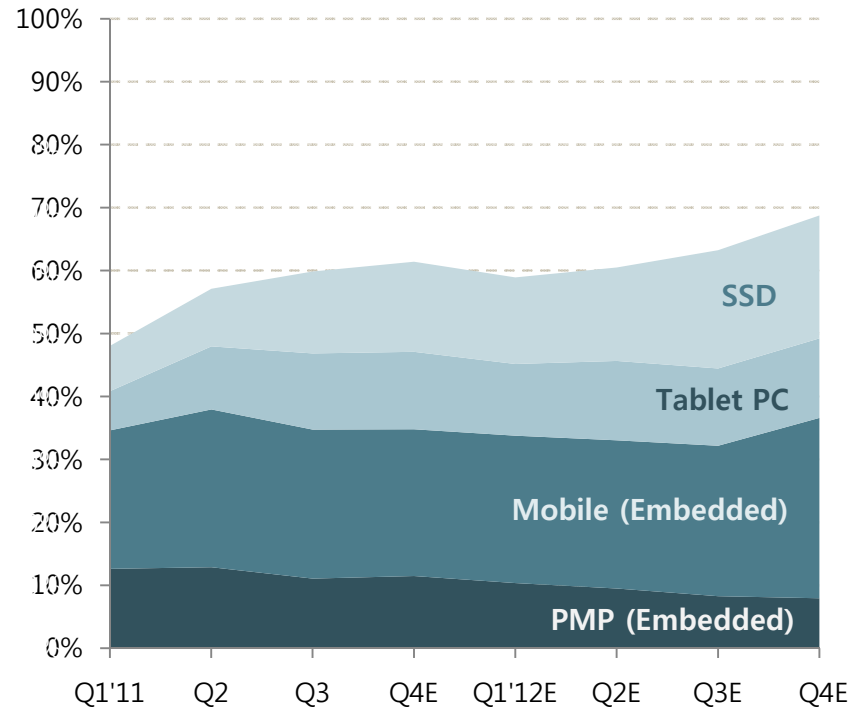
- Strong demand from launch of new mobile products and increased seasonal demand will lead to a more stable NAND market situation
- NAND market will be driven by steady growth of smartphone and tablet PC market as well as SSD demand growth resulting from ultrabook PC launch
- To meet expected demand growth, supply will grow at a similar level with increased capacity from new fab starts and technology migrations, but anticipate demand growth to absorb supply growth

WW NAND Revenue Trend



*. Source: iSuppli Q3 2011

WW Embedded NAND Portion

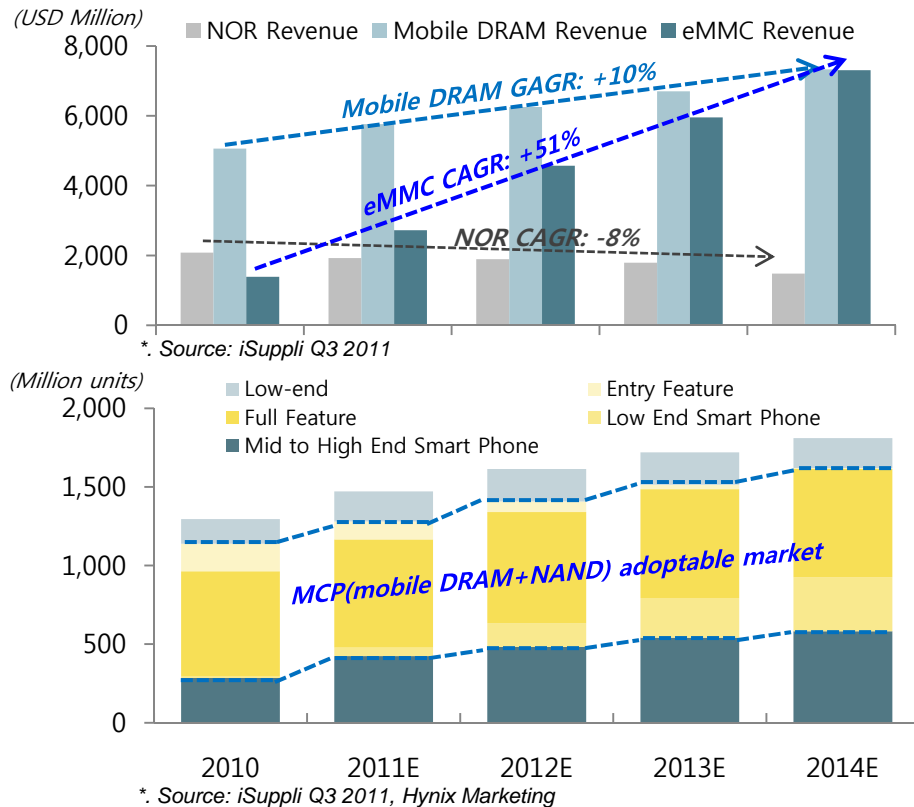


*. Source: Hynix Marketing

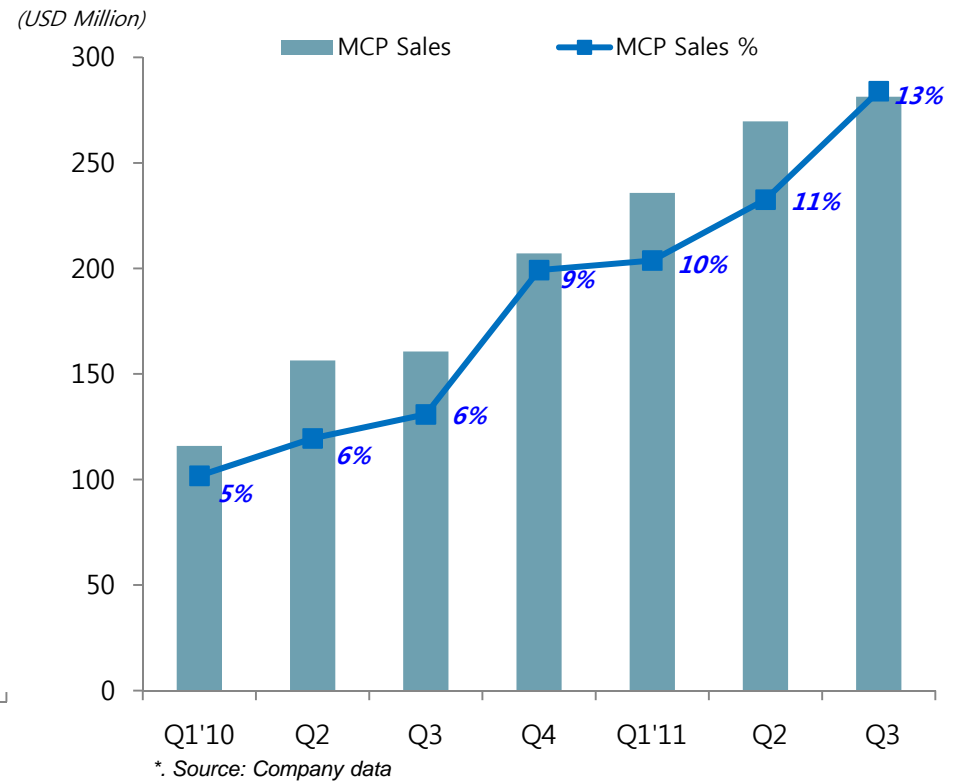
Market Outlook - MCP(Multi-chip Package)

- As mobile phones become thinner and with increasing need to support various functions, MCP demand is growing due to adoption on feature phones and low-end smartphones while adoption on high-end smartphones is driving PoP type mobile DRAM and NAND Flash growth.
- Along with growth of MCP adoption in the emerging markets, our MCP sales and sales portion have also increased steadily due to our various MCP product solutions as well as our competitive business capability in China.

WW MCP Market & Revenue Trend



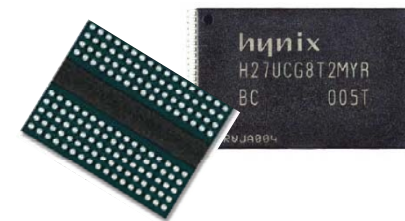
Hynix MCP Revenue Growth



Q4 2011 Hynix Guidance

	DRAM (1Gb eq.)	NAND Flash (16Gb eq.)
Q4 Shipment	Mid 20% ↑	Mid teen% ↑
Q4 Sales Breakdown by Application	PC: around 30% Non-PC: around 70%	USB & Card: around 30% Embedded NAND: around 70%
Q4 Capacity (12" eq.)	around 300Kwpm	around 130Kwpm (M11: around 120Kwpm)
2011 Capex	Total KRW 3.4 Tril. (approx. DRAM 75%, NAND 25%)	

[Appendix]



[Attachment1] Proforma Statement of Financial Position

K-IFRS (KRW Billion)

	Q3'11	Q2'11	2010	QoQ	YoY
Assets					
Current Assets	5,327	5,172	5,416	155	-89
Cash & Cash Equivalents*	1,995	1,780	2,202	215	-207
Accounts Receivables	1,612	1,664	1,605	-52	7
Inventories	1,313	1,282	1,282	31	32
Other Current Assets	407	446	328	-39	79
Non-Current Assets					
Investments	843	795	857	48	-14
Property, plant & equipment	11,163	10,872	10,591	291	572
Intangible Assets	708	676	604	32	104
Total Assets	18,042	17,516	17,468	526	574
Liabilities					
Interest-bearing Debts	7,063	6,184	6,041	879	1,022
S-T Borrowings	1,519	1,278	511	241	1,008
Current Portion of LT Borrowings	1,533	1,940	2,066	-408	-534
Debenture	2,519	2,101	1,705	418	814
L-T Borrowings	1,492	865	1,759	627	-267
Accounts Payables	1,351	1,443	1,646	-93	-296
Total Liabilities	9,775	8,957	9,491	818	284
Shareholders' Equity					
Common Stock	2,978	2,978	2,969		9
Total Shareholders' Equity	8,266	8,559	7,977	-292	290

* Short-term Financial Instruments included

[Attachment 2] Proforma Income Statement

K-IFRS (KRW Billion)

	Q3'11	Q2'11	Q3'10	QoQ	YoY
Sales	2,291	2,758	3,252	-467	-960
Cost of Goods Sold	2,183	2,127	1,938	56	245
Gross Profit	108	631	1,313	-523	-1,205
SG&A Expenses	400	374	384	26	16
Other Operating Profit/Loss	15	190	-6	-175	21
Operating Profit	-277	447	924	-724	-1,201
Finance Income/Expenses	-55	-66	-66	11	11
F/X Effects	-250	63	133	-313	-383
Gain(or Loss) on Equity Method	1	3	2	-2	-1
Others	28	25	40	3	-11
Income Before Income Taxes	-552	472	1,033	-1,024	-1,585
Income Taxes (Benefit)	11	-1	-7	12	18
Net Income	-563	473	1,041	-1,036	-1,603