



Hynix Semiconductor

Q2 2011 Earnings

July 21st, 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.

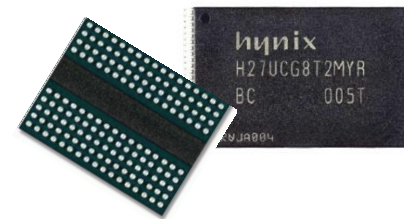
Review of the Q2 FY2011 financial results has not been finalized. Figures in this earnings release are subjected to changes during the independent auditing process.



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1. Q2 2011 Earnings Results & Operations
2. Q3 2011 Market Outlook

Q2 2011 Earnings Results (K-IFRS) & Operational Performances



Results of Operations

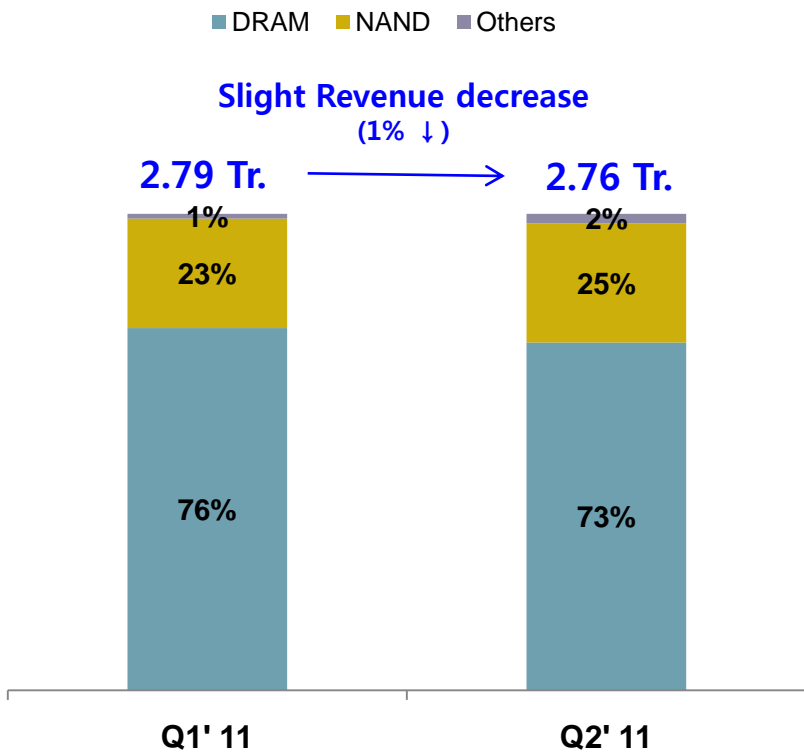
<i>Unit: KRW Billion</i>		Q2 '11	QoQ	Q1 '11	Q2 '10	YoY
Revenue		2,758	-1%	2,793	3,280	-16%
Gross Income		631	-7%	681	1,382	-54%
Operating Income		447	38%	323	1,016	-56%
EBITDA		1,311	13%	1,161	1,775	-26%
Net Income		473	73%	274	719	-34%
EPS(Won)	Basic	796		463	1,234	
	Diluted	709		462	1,126	
Number of Shares (Million Shares)	Basic	592		591	590	
	Diluted	629		592	628	
Gross Margin		23%	-1%p	24%	42%	-19%p
Operating Margin		16%	+4%p	12%	31%	-15%p
EBITDA Margin		48%	+6%p	42%	54%	-6%p
Net Margin		17%	+7%p	10%	22%	-5%p

Sales Analysis

Total Q2 revenue decreased slightly due to higher-than-expected ASP drop and the effect of KRW appreciation against US dollar.

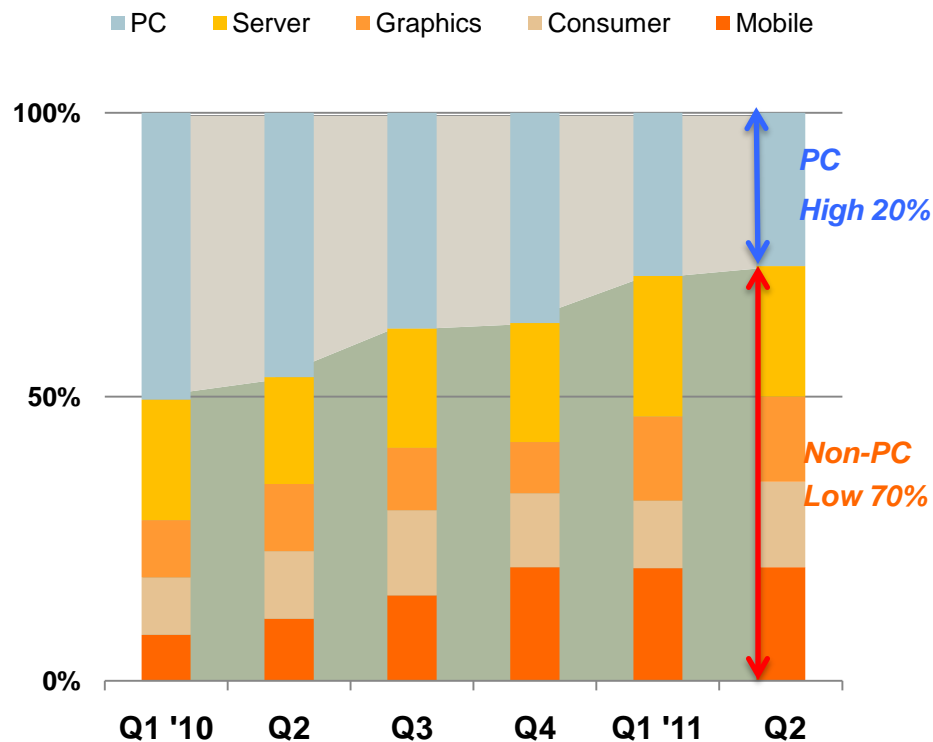
- DRAM sales reduced as: ASP declined 1%, Bit shipment remained flat (QoQ)
- NAND Flash sales increased as: ASP declined 19%, Bit shipment increased 36%(QoQ)

Sales by Products



※ MCP Sales portion increased from 9% to 11%(QoQ).

Sales % by Application



Profit Analysis

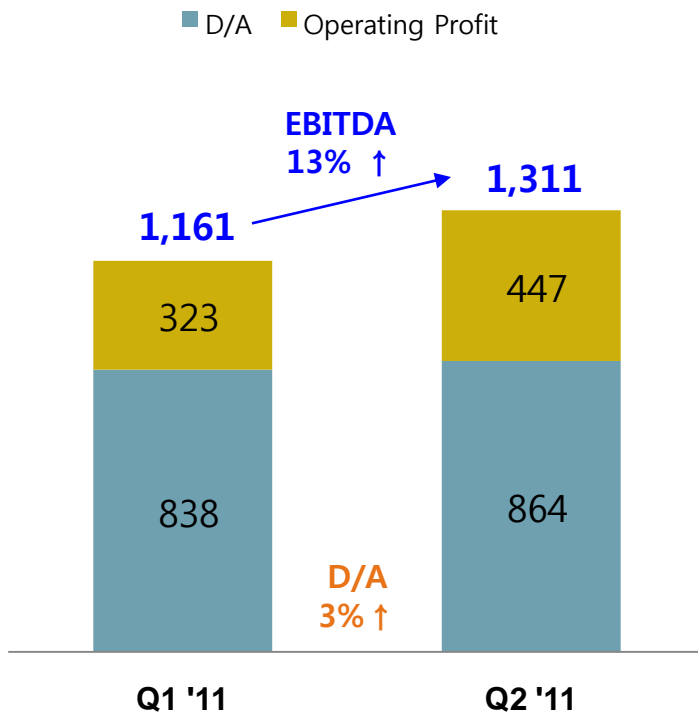
• Operating profit and margin improved because of the reversal effect of provisions for the Rambus case, however, those from pure operating activities diminished due to ASP decline which surpassed unit cost reduction.

(+) factor: Reversal of a portion of provisions for the Rambus patent case

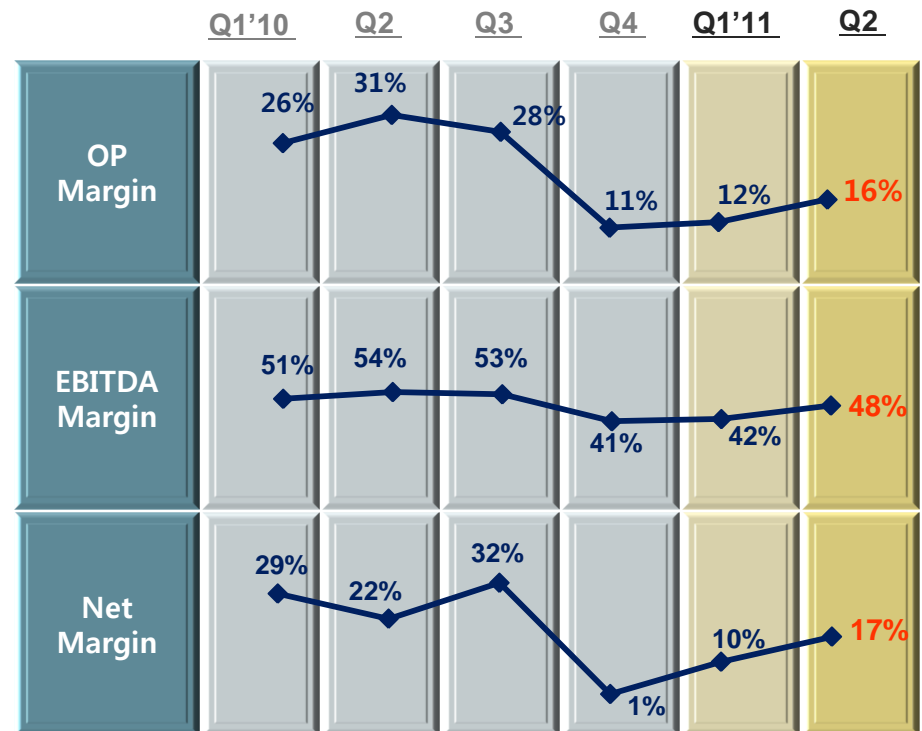
(-) factors: Decrease of operating profit and margin by memory ASP drop, loss from inventory valuation

Profitability

Unit : KRW Billion



Profitability Ratio



Non-OP Income & Expense

<i>Unit: KRW Billion</i>	Q2 '11	QoQ	Q1 '11	Q2 '10	YoY
Non-Operating Income, Net	26	67	(41)	(296)	322
Financial Income, Net	(66)	-	(66)	(73)	7
FX Transaction & Translation, Net	64	-15	78	(215)	279
Others	28	82	(53)	(8)	36
Income Taxes	(1)	-8	8	9	-10

Capital Structure

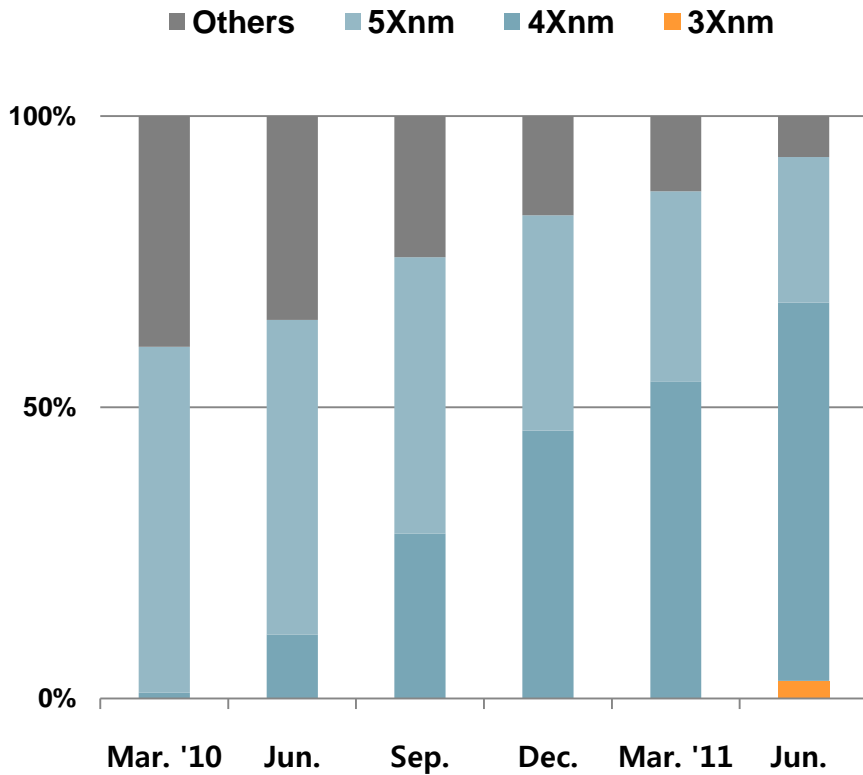
<i>Unit: KRW Billion</i>	Q2 '11	QoQ	Q1 '11	Q4 '10	YoY
Asset	17,516	139	17,377	17,468	-946
Cash*	1,780	-313	2,092	2,202	427
Liability	8,957	-320	9,277	9,491	-1,922
Debt**	6,184	-47	6,231	6,041	-1,141
Shareholder's Equity	8,559	459	8,100	7,977	976
Capital Stock	2,978	7	2,971	2,969	10
Retained Earnings	4,484	471	4,013	3,828	1,672
BPS (Won)	13,310원		12,646원	12,488원	
Debt-to-Equity Ratio	72%	-5%p	77%	76%	-25%p
Net Debt-to-Equity Ratio	51%	-	51%	48%	-28%p

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

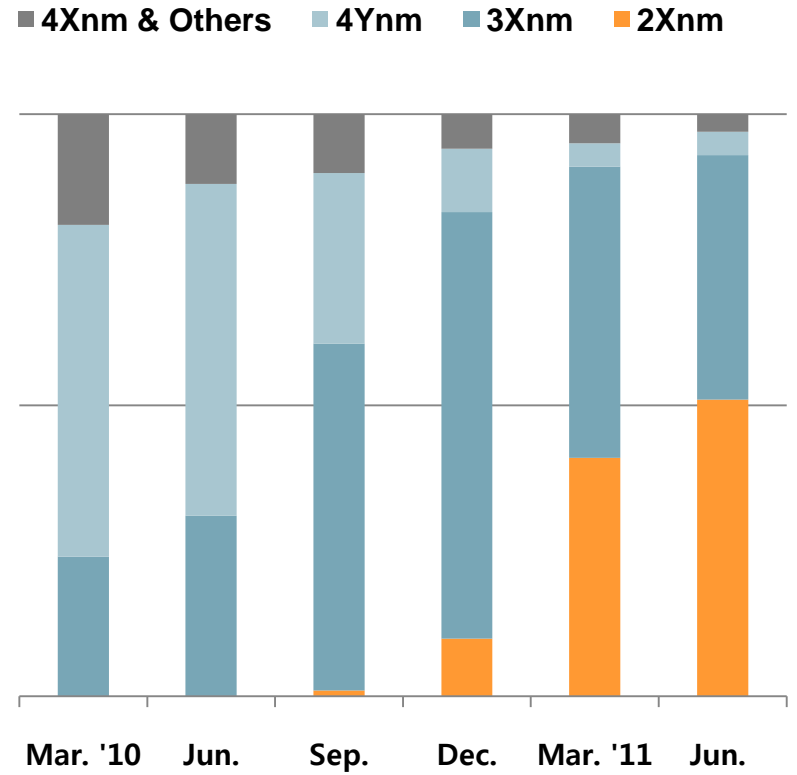
** Debt = Short-term Borrowings + Current position of Long-term Borrowings + Convertible Bond + Debenture + Long-term Borrowings

Migration Progress

DRAM

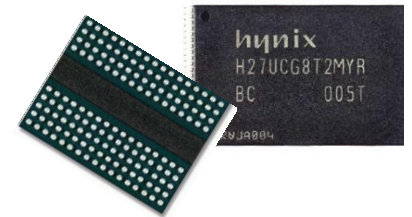


NAND Flash



* Quarter-end, Package out basis

Q3 2011 Market Outlook



Market Outlook - DRAM

- Despite entering the traditional peak season, demand is expected to be lower than usual seasonality as customers are still reluctant to change their conservative purchasing practices under the sluggish recovery of global economy.
- Strong demand for server DRAM is forecasted to continue thanks to DRAM contents growth per system and increased server demand, but competitive pricing among suppliers is also expected to increase.
- The launch of new smartphone models is expected to boost mobile DRAM demand in 2H, while lower-than-expected tablet PC demand could negatively affect to some extent.

2011 PC Market Outlook

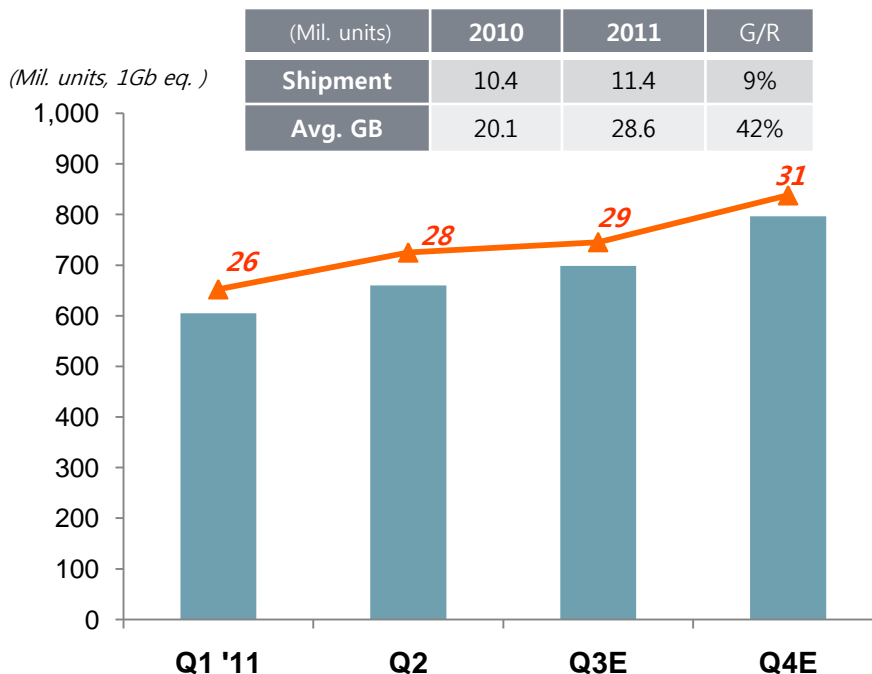
Netbook Notebook Desktop QoQ G/R Avg. GB/Box



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

2011 Server DRAM Market Forecast

Total Demand Avg. GB/Box

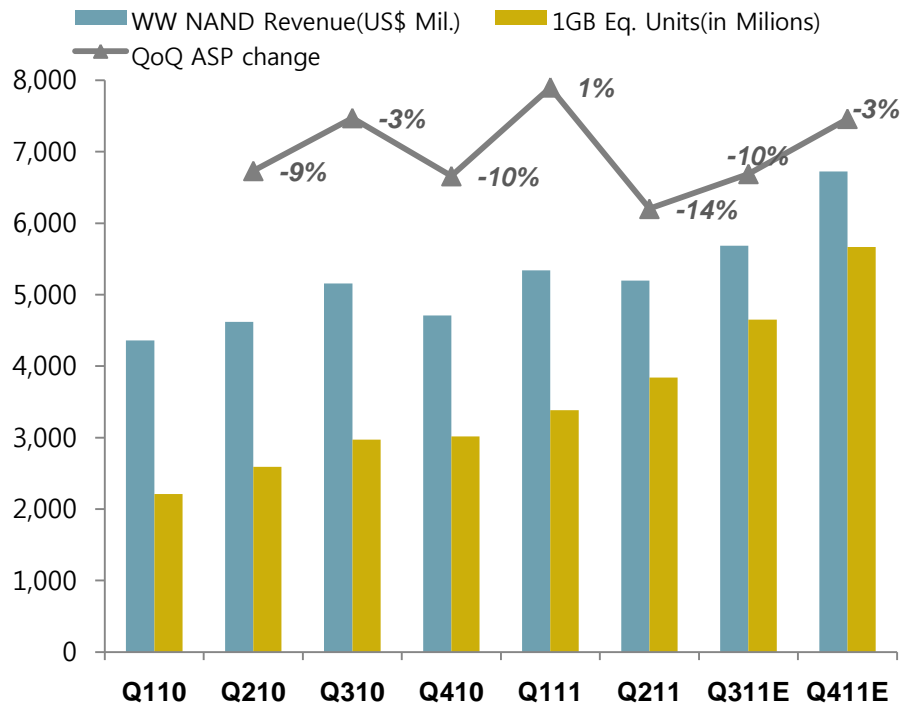


*. Source: Hynix Marketing

Market Outlook - NAND Flash

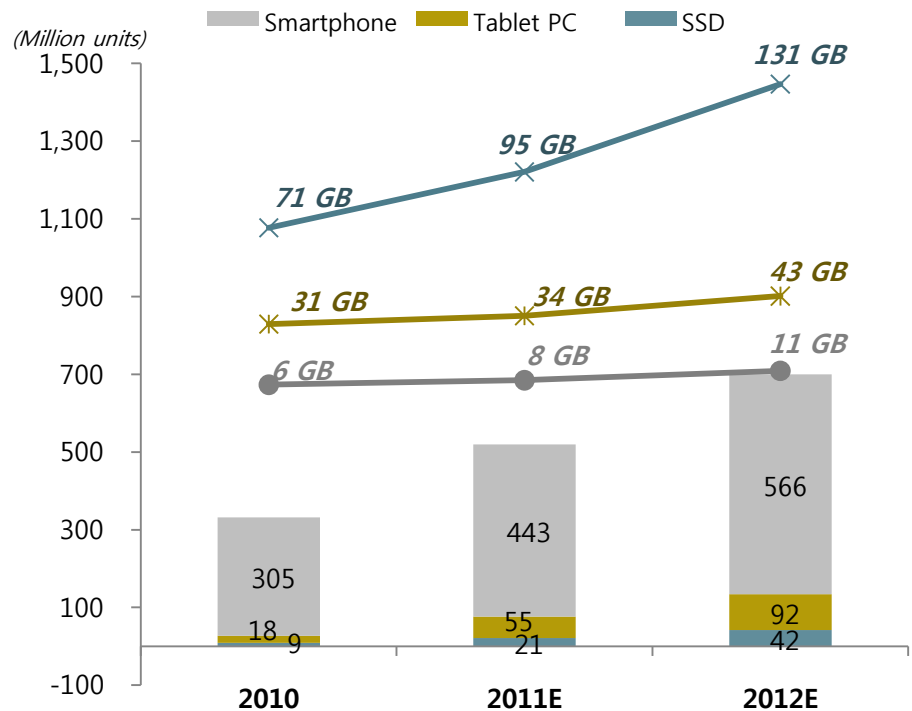
- While global economic uncertainties have a potential to soften NAND demand growth, NAND market is expected to stabilize on the back of a relatively stronger seasonality than DRAM's.
- Still smartphones and tablet PCs will drive NAND consumption, SSD is forecasted to become an important demand driver with the increasing adoption into PCs such as Ultra-book.
- Mass production from suppliers' new fabs will begin in earnest, however, the increase in demand is anticipated to fully absorb the incremental supply.

WW NAND Revenue Trend



*. Source: iSuppli as of Q2 2011

Key NAND Demand Drivers

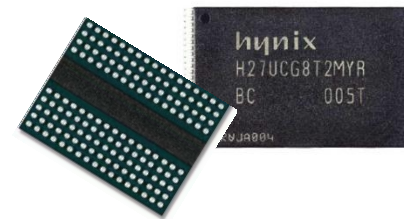


*. Source: Hynix Marketing

Q3 2011 Hynix Guidance

	DRAM (1Gb eq.)	NAND Flash (16Gb eq.)
Q3 Shipment	High teen % ↑	Around 20% ↑
Q3 Sales Breakdown by Application	PC: around 30% Non-PC: around 70%	USB & Card: around 30% Embedded NAND: around 70%
Q3 Capacity (12" eq.)	around 300Kwpm	around 130Kwpm (M11: around 110Kwpm)
2011 Capex	Total KRW 3.4 Tri. (approx. DRAM 75%, NAND 25%)	

[Appendix]



[Attachment1] Proforma Statement of Financial Position

K-IFRS (KRW Billion)

	Q2'11	Q1'11	Q4'10	QoQ	YoY
Assets					
Current Assets	5,172	5,276	6,545	-104	-1,373
Cash & Cash Equivalents*	1,780	2,092	1,353	-313	427
Accounts Receivables	1,664	1,650	2,243	14	-580
Inventories	1,282	1,227	1,136	55	147
Other Current Assets	446	306	1,813	140	-1,367
Non-Current Assets					
Investments	795	848	1,049	-53	-254
Property, plant & equipment	10,872	10,624	10,358	249	514
Intangible Assets	676	629	509	47	168
Total Assets	17,516	17,377	18,461	139	-946
Liabilities					
Interest-bearing Debts	6,184	6,231	7,325	-47	-1,141
S-T Borrowings	1,278	948	1,510	330	-233
Current Portion of LT Borrowings	1,940	1,815	1,587	126	353
Debenture	2,101	1,877	2,146	224	-45
L-T Borrowings	865	1,591	2,081	-726	-1,216
Accounts Payables	638	681	836	-43	-198
Total Liabilities	8,957	9,277	10,879	-320	-1,922
Shareholders' Equity					
Common Stock	2,978	2,971	2,969	7	10
Total Shareholders' Equity	8,559	8,100	7,582	459	976

* Short-term Financial Instruments included

[Attachment 2] Proforma Income Statement

K-IFRS (KRW Billion)

	Q2'11	Q1'11	Q2'10	QoQ	YoY
Sales	2,758	2,793	3,280	-35	-522
Cost of Goods Sold	2,127	2,112	1,898	15	229
Gross Profit	631	681	1,382	-49	-751
SG&A Expenses	374	348	394	26	-20
Other Operating Profit/Loss	190	-10	28	199	162
Operating Profit	447	323	1,016	124	-569
Finance Income/Expenses	-66	-66	-73	0	7
F/X Effects	63	78	-215	-15	279
Gain(or Loss) on Equity Method	3	3	-1	1	4
Others	25	-56	-7	81	32
Income Before Income Taxes	472	281	720	191	-247
Income Taxes (Benefit)	-1	8	9	-8	-10
Net Income	473	274	710	199	-237