

[July 25, 2019]

SK Hynix Inc. Reports Second Quarter 2019 Results

Seoul, July 25, 2019 – SK hynix Inc. (or ‘the Company’, www.skhynix.com) today announced financial results for its second quarter 2019 ended on June 30, 2019. **The consolidated second quarter revenue** was 6.45 trillion won while the **operating profit** amounted to 638 billion won and the **net income** 537 billion won. **Operating margin** for the quarter was 10% and **net margin** was 8%.

As demand recovery did not meet expectations and price declines were steeper than expected, the revenue and the operating profit in the second quarter fell by 5% and 53%, respectively, quarter-over-quarter (QoQ).

DRAM bit shipments increased by 13% QoQ as the Company actively responded to the mobile and PC DRAM markets, where demand growth was relatively high. However, DRAM prices remained weak and the average selling price dropped by 24%.

For NAND Flash, the bit shipments increased by 40% QoQ because of demand recovery due to price declines, while the average selling price decreased by 25%.

SK hynix plans to adjust production and investment flexibly to respond to the market conditions.

The Company will cut its DRAM production capacity from the fourth quarter and will convert part of the DRAM production lines of its M10 FAB in Icheon, Korea, to CMOS image sensor (CIS) mass production lines from the second half. This is to reduce DRAM wafer capacity considering the DRAM demand environment and to strengthen the competitiveness of its CIS business. In addition, with the capacity decrease due to DRAM tech migration, DRAM capacity is likely to continue to decrease until next year.

SK hynix added that it will also increase the NAND wafer input reduction this year to more than 15%. The Company announced last semester that it would decrease the NAND wafer input this year by more than 10% compared to last year.

In addition, SK hynix plans to review, assessing the demand situation, the timing of securing additional clean room space at its M15 FAB in Cheongju, Korea, and installing equipment at the M16 FAB in Icheon, which is expected to be completed in the second half of next year. As a result, the amount of investment next year is expected to be significantly lower than this year.

SK hynix will continue to focus on technology migration and high-density, high-value-added products.

The Company intends to increase the proportion of 1Xnm and 1Ynm DRAM to 80% by the end of this year and start selling 1Ynm computing products from the second half of this year.

For NAND Flash, SK hynix will focus on its 72-layer NAND but also plans to target the high-end smartphones and SSD market by increasing the proportion of 96-layer 4D NAND from the second half. The Company will prepare for mass production and sales of the 128-layer 1Tb (Terabit) TLC (Triple Level Cell) 4D NAND Flash.

SK hynix will continue to strengthen its competitiveness in preparation for mid- to long-term memory growth.

■ FY2019 Q2 Earnings

Consolidated Basis

Unit: Billion KRW

	2019 Q2	2019 Q1	QoQ	2018 Q2	YoY
Revenue	6,452	6,773	-5%	10,371	-38%
Operating Profit	638	1,366	-53%	5,574	-89%
Operating Profit Margin	10%	20%	-10%p	54%	-44%p
Net Income	537	1,102	-51%	4,329	-88%

※ The financial information of the earnings is written based on K-IFRS.

Please note that the financial results discussed herein are preliminary and speak only as of June 30, 2019. Readers should not assume that this information remains operative at a later time. In addition, this information may include forward-looking statements that involve a variety of risks and uncertainties that could cause actual results to differ materially. For further discussion of these risks and uncertainties, readers should refer to SK Hynix Inc.'s filings with the Korea Exchange. This document is neither an offer to sell nor a solicitation of an offer to sell any security of SK Hynix Inc.

About SK Hynix Inc.

SK Hynix Inc., headquartered in Korea, is the world's top tier semiconductor supplier offering Dynamic Random Access Memory chips ("DRAM"), Flash memory chips ("NAND Flash") and CMOS Image Sensors ("CIS") for a wide range of distinguished customers globally. The Company's shares are traded on the Korea Exchange, and the Global Depository shares are listed on the Luxemburg Stock Exchange. Further information about SK Hynix is available at www.skhynix.com.

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