

[October 24, 2019]

SK hynix Inc. Reports Third Quarter 2019 Results

Seoul, October 24, 2019 – SK hynix Inc. (or ‘the Company’, www.skhynix.com) today announced financial results for its third quarter 2019 ended on September 30, 2019. **The consolidated third quarter revenue** was 6.84 trillion won while the **operating profit** amounted to 473 billion won and the **net income** 495 billion won. **Operating margin** and **net margin** for the quarter was 7%.

The revenue in the third quarter increased by 6% quarter-over-quarter (QoQ) as demand began to pick up. However, the operating profit fell by 26% QoQ as DRAM unit cost reduction was not enough to offset the price drop.

DRAM bit shipments increased by 23% QoQ as the Company actively responded to the new products in the mobile market and purchases from some data center customers also increased. DRAM prices remained weak during the quarter, leading to a 16% drop in the average selling price, with the decline smaller than the previous quarter.

Although SK hynix actively responded to the solution market, such as high-density mobile products and SSDs, where demand continues to recover, NAND Flash bit shipments decreased by 1% QoQ because the company cut back raw NAND sales that was temporarily increased in the last quarter. It also resulted in a 4% increase in the average selling price as raw NAND is relatively cheap.

SK hynix plans to develop production and investment strategy to meet growing customer demands as well as effectively deal with demand fluctuations due to external uncertainties.

The Company is converting part of the DRAM production lines of its M10 FAB in Icheon, Korea, to CMOS image sensor (CIS) mass production lines, while reducing 2D NAND Flash wafer capacity. As a result, both DRAM and NAND Flash capacity will decrease next year compared to this year, and the amount of investment is expected to shrink considerably next year as well.

SK hynix will continue to focus on technology migration and expand sales of high-density, high-value-added products in order to achieve greater growth when the market improves.

The Company intends to increase the proportion of 1Ynm DRAM in the product portfolio to early 10% by the end of this year and prepare for mass production of the recently developed 1Znm DRAM products. In addition, the Company plans to actively respond to

the LPDDR5 and HBM2E markets, both of which are expected to be increasingly adopted by customers next year.

For NAND Flash, SK hynix will increase the proportion of 96-layer 4D NAND products to more than mid-10% by the end of this year, while preparing for mass production and sales of 128-layer 4D NAND Flash. As the Company will focus on the high-end smartphone and SSD markets, SSD is expected to account for around 30% of the Company's NAND Flash sales in the fourth quarter.

SK hynix will minimize business volatility based on this experience of a downturn, while making efforts to achieve sustainable growth.

■ FY2019 Q3 Earnings

Consolidated Basis

Unit: Billion KRW

	2019 Q3	2019 Q2	QoQ	2018 Q3	YoY
Revenue	6,839	6,452	+6%	11,417	-40%
Operating Profit	473	638	-26%	6,472	-93%
Operating Profit Margin	7%	10%	-3%p	57%	-50%p
Net Income	495	537	-8%	4,692	-89%

※ 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 September 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 <https://www.skhynix.com> and <https://news.skhynix.com>.

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