

SK HYNIX, INC. and Subsidiaries

Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

(With Independent Auditors' Review Report Thereon)

Contents

	Page
Independent Auditors’ Review Report	1
Condensed Consolidated Statements of Financial Position	3
Condensed Consolidated Statements of Comprehensive Income	5
Condensed Consolidated Statements of Changes in Equity	7
Condensed Consolidated Statements of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Statements	11

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
SK hynix, Inc.:

We have reviewed the accompanying condensed consolidated interim financial statements of SK hynix, Inc. and its subsidiaries (the "Group") which comprise the condensed consolidated statement of financial position as of March 31, 2015, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 'Interim Financial Reporting', and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared fairly, in all material respects, in accordance with K-IFRS No.1034 'Interim Financial Reporting'.

Other matters

The consolidated statement of financial position of the Group as of December 31, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 17, 2015, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2014, presented for comparative purposes, is not different from that audited by us in all material respects.

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries.



KPMG Samjory Accounting Corp.

Seoul, Korea
May 8, 2015

This report is effective as of May 8, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Financial Position
As of March 31, 2015 and December 31, 2014
(Unaudited)

(In millions of won)

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5,6 ₩	342,269	436,761
Short-term financial instruments	5,6,7	3,905,993	3,618,014
Trade receivables, net	5,6,8	3,260,778	3,732,926
Loans and other receivables, net	5,6,8	280,422	881,885
Inventories, net	9	1,564,861	1,497,563
Current tax assets		1,524	1,629
Assets held for sale	10	27,807	27,661
Other current assets	11	237,939	167,075
		<u>9,621,593</u>	<u>10,363,514</u>
Non-current assets			
Investments in associates and joint ventures	12	105,545	97,090
Available-for-sale financial assets	5,6,13	126,783	127,314
Loans and other receivables, net	5,6,8	63,285	58,989
Other financial assets	5,6,7	323	323
Property, plant and equipment, net	14,33	15,147,835	14,090,334
Intangible assets, net	15	1,401,266	1,336,680
Investment property, net	16	28,126	28,456
Deferred tax assets		279,923	272,102
Other non-current assets	11	618,234	508,476
		<u>17,771,320</u>	<u>16,519,764</u>
Total assets	₩	<u>27,392,913</u>	<u>26,883,278</u>

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Financial Position, Continued
As of March 31, 2015 and December 31, 2014
(Unaudited)

(In millions of won)

	Note	2015	2014
Liabilities			
Current liabilities			
Trade payables	5,6 ₩	684,649	787,822
Other payables	5,6	1,919,395	1,358,816
Other non-trade payables	5,6	657,204	1,182,956
Borrowings	5,6,17	1,157,451	1,755,020
Other financial liabilities	5,6,21	-	30
Provisions	19	26,637	25,932
Current tax liabilities		671,356	583,529
Other current liabilities	18	45,186	71,199
		<u>5,161,878</u>	<u>5,765,304</u>
Non-current liabilities			
Other non-trade payables	5,6	121,076	132,947
Borrowings	5,6,17	2,414,792	2,419,739
Other financial liabilities	5,6,21	956	708
Defined benefit liabilities, net	20	506,792	465,350
Deferred tax liabilities		2,212	3,463
Other non-current liabilities	18	59,471	59,464
		<u>3,105,299</u>	<u>3,081,671</u>
Total liabilities		<u>8,267,177</u>	<u>8,846,975</u>
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	1,22	3,657,652	3,657,652
Capital surplus	22	4,143,736	4,143,736
Other equity	22	(24)	(24)
Accumulated other comprehensive loss	23	(27,757)	(41,815)
Retained earnings	24	11,352,618	10,276,904
Total equity attributable to owners of the Parent Company		<u>19,126,225</u>	<u>18,036,453</u>
Non-controlling interests		<u>(489)</u>	<u>(150)</u>
Total equity		<u>19,125,736</u>	<u>18,036,303</u>
Total liabilities and equity	₩	<u>27,392,913</u>	<u>26,883,278</u>

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2015 and 2014
(Unaudited)

(In millions of won, except per share information)

	Note	2015	2014
Revenue	4 ₩	4,818,341	3,742,690
Cost of sales	26	2,529,949	2,110,422
Gross profit		2,288,392	1,632,268
Selling and administrative expenses	25,26	699,862	575,002
Operating profit		1,588,530	1,057,266
Finance income	27	200,602	131,714
Finance expenses	27	179,122	156,457
Share of profit of equity-accounted investees	12	5,695	388
Other income	28	5,422	6,885
Other expenses	28	19,047	70,307
Profit before income tax		1,602,080	969,489
Income tax expense	29	306,624	167,235
Profit for the period		1,295,456	802,254
Other comprehensive income (loss)			
Item that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability, net of tax	20	(1,616)	(24)
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets – unrealized net change in fair value, net of tax	13	-	3,418
Foreign operations – foreign currency translation differences, net of tax		13,426	(21,276)
Equity-accounted investees – share of other comprehensive income, net of tax		567	1,145
Other comprehensive income (loss) for the period, net of tax		12,377	(16,737)
Total comprehensive income for the period	₩	1,307,833	785,517

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income, Continued

For the three-month periods ended March 31, 2015 and 2014

(Unaudited)

(In millions of won, except per share information)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Profit (loss) attributable to:			
Owners of the Parent Company	₩	1,295,730	802,538
Non-controlling interests		(274)	(284)
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		1,308,172	785,787
Non-controlling interests		(339)	(270)
Earnings per share			
Basic earnings per share (in won)	30	1,780	1,130
Diluted earnings per share (in won)	30	1,780	1,104

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2015 and 2014
(Unaudited)

(In millions of won)

	Attributable to owners of the Parent Company					Non- controlling interests	Total equity
	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Balance at January 1, 2014	₩ 3,568,645	3,406,083	(108,807)	6,201,322	13,067,243	(384)	13,066,859
Total comprehensive income							
Profit (loss) for the period	-	-	-	802,538	802,538	(284)	802,254
Unrealized net changes in fair values of available-for-sale financial assets, net of tax	-	-	3,418	-	3,418	-	3,418
Remeasurements of defined benefit liability, net of tax	-	-	-	(24)	(24)	-	(24)
Other comprehensive income from joint venture and associate, net of tax	-	-	1,145	-	1,145	-	1,145
Foreign currency translation differences for foreign operations, net of tax	-	-	(21,290)	-	(21,290)	14	(21,276)
Total comprehensive income	-	-	(16,727)	802,514	785,787	(270)	785,517
Balance at March 31, 2014	₩ 3,568,645	3,406,083	(125,534)	7,003,836	13,853,030	(654)	13,852,376

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity, Continued
For the three-month periods ended March 31, 2015 and 2014
(Unaudited)

		Attributable to owners of the Parent Company						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
(In millions of won)									
Balance at January 1, 2015	₩	3,657,652	4,143,736	(24)	(41,815)	10,276,904	18,036,453	(150)	18,036,303
Total comprehensive income									
Profit (loss) for the period		-	-	-	-	1,295,730	1,295,730	(274)	1,295,456
Remeasurements of defined benefit liability, net of tax		-	-	-	-	(1,615)	(1,615)	-	(1,615)
Other comprehensive income from joint venture and associate, net of tax		-	-	-	566	-	566	-	566
Foreign currency translation differences for foreign operations, net of tax		-	-	-	13,492	-	13,492	(65)	13,427
Total comprehensive income		-	-	-	14,058	1,294,115	1,308,173	(339)	1,307,834
Transactions with owners of the Parent Company									
Dividends		-	-	-	-	(218,401)	(218,401)	-	(218,401)
Transactions with owners of the Parent Company		-	-	-	-	(218,401)	(218,400)	-	(218,401)
Balance at March 31, 2015	₩	3,657,652	4,143,736	(24)	(27,757)	11,352,618	19,126,225	(489)	19,125,736

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2015 and 2014
(Unaudited)

(In millions of won)

	Note	2015	2014
Cash flows from operating activities			
Cash generated from operating activities	33 ₩	2,766,600	1,228,284
Interest received		27,595	17,132
Interest paid		(36,742)	(39,137)
Dividends received		995	4
Income tax refund (paid)		(220,798)	4,242
Net cash provided by operating activities		2,537,650	1,210,525
Cash flows from investing activities			
Decrease in short-term financial instruments		4,167,756	3,616,041
Increase in short-term financial instruments		(4,441,778)	(4,273,064)
Decrease in loans and other receivables		789	365
Increase in loans and other receivables		(2,140)	(2,415)
Proceeds from disposal of available-for-sale financial assets		531	768
Acquisition of available-for-sale financial assets		-	(325)
Decrease in other financial assets		-	245,847
Increase in other financial assets		-	(30,072)
Cash inflows from derivative transactions		560	-
Cash outflows from derivative transactions		(667)	(1,867)
Proceeds from disposal of property, plant and equipment		3,479	26,575
Acquisition of property, plant and equipment		(1,628,365)	(1,230,914)
Proceeds from disposal of intangible assets		155	-
Acquisition of intangible assets		(125,580)	(64,887)
Receipt of government grants		378	502
Acquisition of investment in an associate		(2,194)	-
Net cash used in investing activities	₩	(2,027,076)	(1,713,446)

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries
Condensed Consolidated Statements of Cash Flows, Continued
For the three-month periods ended March 31, 2015 and 2014
(Unaudited)

(In millions of won)

	2015	2014
Cash flows from financing activities		
Proceeds from borrowings	₩ 883,054	1,347,321
Repayments of borrowings	(1,490,383)	(1,157,486)
Net cash provided by (used in) financing activities	(607,329)	189,835
Effect of movements in exchange rates on cash and cash equivalents	2,263	1,180
Net decrease in cash and cash equivalents	(94,492)	(311,906)
Cash and cash equivalents at beginning of the period	436,761	631,867
Cash and cash equivalents at end of the period	₩ 342,269	319,961

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

1. Reporting Entity

(1) General information about SK hynix, Inc. (the "Parent Company" or the "Company") and its subsidiaries (collectively the "Group") is as follows:

The Parent Company is engaged in the manufacture, distribution and sales of semiconductor products and its shares have been listed on the Korea Exchange since 1996. The Parent Company's headquarters is located at 2091 Gyeongchung-daero, Bubal-eup, Icheon-si, Gyeonggi-do, South Korea, and the Group has manufacturing facilities in Icheon-si and Cheongju-si, South Korea, and Wuxi and Chongqing, China.

As of March 31, 2015, the shareholders of the Parent Company are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
SK Telecom Co., Ltd.	146,100,000	20.07
Share Management Council ¹	7,432,667	1.02
National Pension Service and other investors	574,469,698	78.91
	728,002,365	100.00

¹As of March 31, 2015, the number of shares held by each member of Share Management Council is as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Korea Exchange Bank	7,092,500	0.97
Shinhan Bank	355,000	0.05
Other financial institutions	5,167	0.00
	7,452,667	1.02

According to the share purchase agreement dated November 14, 2011, between SK Telecom Co., Ltd. and the Share Management Council, the Share Management Council should exercise its voting right on its shares following SK Telecom Co., Ltd.'s decision in designating officers of the Company or other matters unless this conflicts with the Share Management Council's interest.

Accordingly, in substance, SK Telecom Co., Ltd. has the voting rights over the Share Management Council's shares as of March 31, 2015.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

1. Reporting Entity, Continued

(2) Details of the Group's consolidated subsidiaries as of March 31, 2015 and December 31, 2014 are as follows:

Company	Location	Business	Ownership(%)	
			2015	2014
SK hyeng Inc.	Korea	Domestic subsidiary	100.00	100.00
SK hystec Inc.	Korea	Domestic subsidiary	100.00	100.00
Siliconfile Technologies Inc.	Korea	Development and manufacturing of electronic component	100.00	100.00
SK hynix America Inc. (SKHYA)	U.S.A.	Overseas sales subsidiary	97.74	97.74
Hynix Semiconductor Manufacturing America Inc. (HSMA) ¹	U.S.A.	Discontinued subsidiary	100.00	100.00
SK hynix Deutschland GmbH (SKHYD)	Germany	Overseas sales subsidiary	100.00	100.00
SK hynix U.K. Ltd. (SKHYU)	U.K.	Overseas sales subsidiary	100.00	100.00
SK hynix Asia Pte. Ltd. (SKHYS)	Singapore	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor India Private Ltd. (SKHYS) ²	India	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor Hong Kong Ltd. (SKHYH)	Hong Kong	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor (Shanghai) Co., Ltd. (SKHYCS)	China	Overseas sales subsidiary	100.00	100.00
SK hynix Japan Inc. (SKHYJ)	Japan	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor Taiwan Inc. (SKHYT)	Taiwan	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor (China) Ltd. (SKHYCL)	China	Overseas manufacturing subsidiary	100.00	100.00
SK hynix Semiconductor (Wuxi) Ltd. (SKHYMC)	China	Overseas manufacturing subsidiary	100.00	100.00
SK hynix (Wuxi) Semiconductor Sales Ltd. (SKHYCW)	China	Overseas sales subsidiary	100.00	100.00
SK hynix Italy S.r.l (SKHYIT)	Italy	Overseas R&D center	100.00	100.00
SK hynix memory solutions Inc. (SKHMS)	U.S.A.	Overseas R&D center	100.00	100.00
SK hynix Flash Solution Taiwan (SKHYFST)	Taiwan	Overseas R&D center	100.00	100.00
SK APTECH Ltd. (SKAPTECH)	Hong Kong	Holding company	100.00	100.00
SK hynix Semiconductor (Chongqing) Ltd. (SKHYCQL) ³	China	Overseas manufacturing subsidiary	100.00	100.00
Softeq Flash Solutions LLC.(SOFTEQ)	Belarus	Overseas R&D center	100.00	100.00
MMT (Money Market Trust)	Korea	Money Market Trust	100.00	100.00

¹ Subsidiary of SK hynix America Inc.

² Subsidiary of SK hynix Asia Pte. Ltd.

³ Subsidiary of SK APTECH Ltd.

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

1. Reporting Entity, Continued

(3) There is no change in subsidiaries for the three-month period ended March 31, 2015.

(4) Major subsidiaries' summarized statements of financial position as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015			2014		
		Assets	Liabilities	Equity	Assets	Liabilities	Equity
SK hynix America Inc.(SKHYA)	₩	1,497,191	1,431,432	65,759	1,711,746	1,634,047	77,699
SK hynix Asia Pte. Ltd.(SKHYS)		449,621	376,410	73,211	386,135	313,152	72,983
SK hynix Semiconductor Hong Kong Ltd.(SKHYH)		454,923	367,141	87,782	563,598	478,449	85,149
SK hynix Japan Inc.(SKHYJ)		331,916	274,677	57,239	285,122	227,860	57,262
SK hynix Semiconductor Taiwan Inc.(SKHYT)		436,897	412,437	24,460	628,791	605,861	22,930
SK hynix Semiconductor (China) Ltd.(SKHYCL)		3,904,446	854,443	3,050,003	4,179,186	1,197,588	2,981,598
SK hynix Deutschland GmbH(SKHYD)		115,218	81,289	33,929	135,384	98,477	36,907
SK hynix U.K. Ltd.(SKHYU)		208,890	193,997	14,893	194,318	179,990	14,328
SK hynix Semiconductor (Chongqing) Ltd.(SKHYCQL)		356,383	182,683	173,700	341,984	174,936	167,048

(5) Major subsidiaries' summarized statements of comprehensive income (loss) for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015			2014		
		Revenue	Profit (loss)	Total comprehensive income (loss)	Revenue	Profit (loss)	Total comprehensive income (loss)
SK hynix America Inc.(SKHYA)	₩	2,003,272	(8,371)	(8,371)	1,335,987	(10,445)	(10,445)
SK hynix Asia Pte. Ltd.(SKHYS)		500,740	(155)	(155)	438,392	(2,076)	(2,076)
SK hynix Semiconductor Hong Kong Ltd.(SKHYH)		863,272	2,149	2,149	718,210	549	549
SK hynix Japan Inc.(SKHYJ)		241,383	(30)	(30)	172,737	(268)	(268)
SK hynix Semiconductor Taiwan Inc.(SKHYT)		523,805	1,093	1,093	459,988	3,022	3,022
SK hynix Semiconductor (China) Ltd.(SKHYCL)		509,418	48,354	48,354	464,660	(54,279)	(54,279)
SK hynix Deutschland GmbH(SKHYD)		135,088	912	912	166,266	(115)	(115)
SK hynix U.K. Ltd.(SKHYU)		187,393	488	488	131,100	(242)	(242)
SK hynix Semiconductor (Chongqing) Ltd.(SKHYCQL)		75,001	5,499	5,499	-	(2,322)	(2,322)

(6) There are no significant non-controlling interests to the Group as of March 31, 2015 and December 31, 2014.

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

2. Basis of Preparation

(1) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Stock Companies.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2014. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2014.

3. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2014.

4. Geographic, Product and Customer Information

An operating segment is a component of the Group that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") in order to allocate resources and assess its performance, and 3) for which discrete financial information is available. The Group's CODM is the board of directors, who do not receive and therefore do not review discrete financial information for any component of the Group. Consequently, no operating segment information is included in these consolidated financial statements.

(1) Details of the Group's revenue for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Sale of goods	₩ 4,773,451	3,724,953
Sale of services	44,890	17,737
	₩ 4,818,341	3,742,690

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

4. Geographic, Product and Customer Information, Continued

(2) Details of the Group's revenue by product and service types for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015	2014
DRAM	₩	3,632,987	2,992,117
NAND Flash		1,044,841	623,133
Other		140,513	127,440
	₩	<u>4,818,341</u>	<u>3,742,690</u>

(3) The Group's revenue information by region based on the location of selling entities for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015	2014
Korea	₩	293,056	298,129
China		952,884	740,003
Taiwan		518,553	462,304
Asia (other than China and Taiwan)		739,930	611,552
U.S.A.		1,993,696	1,334,550
Europe		320,222	296,152
	₩	<u>4,818,341</u>	<u>3,742,690</u>

(4) The Group's non-current assets (excluding financial assets, equity-accounted investees and deferred tax assets) information by region based on the location of subsidiaries as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	2014
Korea	₩	13,510,336	12,356,735
China		3,326,872	3,255,550
Taiwan		5,788	5,831
Asia (other than China and Taiwan)		750	798
U.S.A.		340,799	333,908
Europe		10,916	11,124
	₩	<u>17,195,461</u>	<u>15,963,946</u>

(5) Revenues from customers "A" and "B" that each constitutes more than 10% of the Group's consolidated revenue for the three-month period ended March 31, 2015 amount to ₩874,758 million (2014: ₩500,922 million) and ₩621,233 million (2014: ₩371,080 million), respectively.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

5. Categories of Financial Instruments

(1) Categories of financial assets as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

2015				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Total
Cash and cash equivalents	₩ -	-	342,269	342,269
Short-term financial instruments	2,477,506	-	1,428,487	3,905,993
Trade receivables	-	-	3,260,778	3,260,778
Loans and other receivables	-	-	343,707	343,707
Other financial assets	-	-	323	323
Available-for-sale financial assets	-	126,783	-	126,783
	₩ 2,477,506	126,783	5,375,564	7,979,853

(In millions of won)

2014				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Total
Cash and cash equivalents	₩ -	-	436,761	436,761
Short-term financial instruments	1,842,020	-	1,775,994	3,618,014
Trade receivables	-	-	3,732,926	3,732,926
Loans and other receivables	-	-	940,874	940,874
Other financial assets	-	-	323	323
Available-for-sale financial assets	-	127,314	-	127,314
	₩ 1,842,020	127,314	6,886,878	8,856,212

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

5. Categories of Financial Instruments, Continued

(2) Categories of financial liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payables	₩ -	684,649	684,649
Other payables	-	1,919,395	1,919,395
Other non-trade payables(*)	-	778,280	778,280
Borrowings	-	3,572,243	3,572,243
Other financial liabilities	956	-	956
	₩ 956	6,954,567	6,955,523

(In millions of won)

		2014	
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payables	₩ -	787,822	787,822
Other payables	-	1,358,816	1,358,816
Other non-trade payables(*)	-	1,315,903	1,315,903
Borrowings	-	4,174,759	4,174,759
Other financial liabilities	738	-	738
	₩ 738	7,637,300	7,638,038

(*) Details of other non-trade payables as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Current		
Accrued expenses	₩ 657,204	1,182,956
	657,204	1,182,956
Non-current		
Rent deposit payables	2,626	2,357
Long-term other payables	118,450	130,566
Long-term accrued expenses	-	24
	121,076	132,947
	₩ 778,280	1,315,903

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

6. Financial Risk Management

(1) Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all the financial risk management policies and disclosures that are required in the annual financial statements.

There is no significant change in risk management policies for the three-month period ended March 31, 2015.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies and net investments in foreign operations.

Monetary foreign currency assets and liabilities as of March 31, 2015 are as follows:

(In millions of won and millions of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	4,541 ₩	5,017,357	3,894 ₩	4,303,129
EUR	2	2,425	118	141,040
JPY	9,542	87,807	39,052	359,383

As of March 31, 2015, effects on profit before income tax as a result of change in exchange rate by 10% are as follows:

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 71,423	(71,423)
EUR	(13,862)	13,862
JPY	(27,158)	27,158

(ii) Price risk

As of March 31, 2015, there are no available-for-sale equity securities measured at fair value held by the Group. Accordingly, the Group is not exposed to any equity securities price risk.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(iii) Interest rate risk

Interest rate risk of the Group is defined as the risk that the interest expenses arising from borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises from floating rate borrowings, and is partially offset by interests received from floating rate financial assets.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between interests of fixed rates and floating rates, which are calculated based on the agreed notional amounts.

As of March 31, 2015, the Group is partially exposed to a risk of increase in interest rates. If interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the next three-month period would have been ~~₩~~4,002 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and lower/higher interest income on floating rate financial assets.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from operating and investing activities. In order to manage credit risk, the Group periodically evaluates the creditworthiness of each customer or counterparty through the analysis of its financial information, historical transaction records and other factors, and establishes credit limits for each customer or counterparty.

(i) Trade and other receivables

For each new customer, the Group individually analyzes its creditworthiness before standard payment and delivery terms and conditions are offered. In addition, the Group consistently manages trade and other receivables by reevaluating the customer's creditworthiness and securing collaterals in order to limit its credit risk exposure.

The Group reviews at the end of each reporting period whether trade and other receivables are impaired and maintains credit insurance policies to manage credit risk exposure from oversea customers. The maximum exposure to credit risk as of March 31, 2015 is the carrying amount of trade and other receivables.

(ii) Other financial assets

Credit risk also arises from other financial assets such as cash and cash equivalents; short-term financial instruments; and deposits with banks and financial institutions as well as short-term and long-term loans mainly due to the bankruptcy of each counterparty to those financial assets. The maximum exposure to credit risk as of March 31, 2015 is the carrying amount of those financial assets. The Group transacts only with banks and financial institutions with a high credit rated by independent credit rating agencies, and accordingly management does not expect any loss from non-performance by the counterparties.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(c) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively.

The Group invests surplus cash in interest-bearing current accounts, time deposits, demand deposits, marketable available-for-sale securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

There are no significant changes in the contractual cash flows of financial liability except for proceeds from borrowings, repayments of borrowings, increase in current installments of long-term borrowings during the three-month period ended March 31, 2015 compared to December 31, 2014.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The debt-to-equity ratio and net borrowing ratio as of March 31, 2015 and December 31, 2014 are as follows:

<i>(In millions of won)</i>	2015	2014
Total liabilities (A)	₩ 8,267,177	8,846,975
Total equity (B)	19,125,736	18,036,303
Cash and cash equivalents and short-term financial instruments (C)	4,248,262	4,054,775
Total borrowings (D)	3,572,243	4,174,759
Debt-to-equity ratio (A/B)	43%	49%
Net borrowing ratio (D-C)/B	-	1%

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

6. Financial Risk Management, Continued

(3) Fair value

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) The following table presents the carrying amounts and fair values of financial instruments by categories, including their levels in the fair value hierarchy, as of March 31, 2015 and December 31, 2014:

(In millions of won)

(In millions of won)		2015			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term financial instruments	₩ 2,477,506	-	2,477,506	-	2,477,506
	2,477,506	-	2,477,506	-	2,477,506
Financial assets not measured at fair value					
Cash and cash equivalents ¹	342,269	-	-	-	-
Short-term financial instruments ¹	1,428,487	-	-	-	-
Trade receivables ¹	3,260,778	-	-	-	-
Other receivables ¹	343,707	-	-	-	-
Other financial assets ¹	323	-	-	-	-
Available-for-sale financial assets ^{1,2}	126,783	-	-	-	-
	5,502,347	-	-	-	-
Financial liabilities measured at fair value					
Other financial liabilities	956	-	956	-	956
	956	-	956	-	956
Financial liabilities not measured at fair value					
Trade payables ¹	684,649	-	-	-	-
Other payables ¹	1,919,395	-	-	-	-
Other non-trade payables ¹	778,280	-	-	-	-
Borrowings	3,572,243	-	3,653,724	-	3,653,724
₩	6,954,567	-	3,653,724	-	3,653,724

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

6. Financial Risk Management, Continued

(In millions of won)

(In millions of won)		2014			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term financial instruments	₩ 1,842,020	-	1,842,020	-	1,842,020
	<u>1,842,020</u>	<u>-</u>	<u>1,842,020</u>	<u>-</u>	<u>1,842,020</u>
Financial assets not measured at fair value					
Cash and cash equivalents ¹	436,761	-	-	-	-
Short-term financial instruments ¹	1,775,994	-	-	-	-
Trade receivables ¹	3,732,926	-	-	-	-
Other receivables ¹	940,874	-	-	-	-
Other financial assets ¹	323	-	-	-	-
Available-for-sale financial assets ^{1,2}	127,314	-	-	-	-
	<u>7,014,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value					
Other financial liabilities	738	-	738	-	738
	<u>738</u>	<u>-</u>	<u>738</u>	<u>-</u>	<u>738</u>
Financial liabilities not measured at fair value					
Trade payables ¹	787,822	-	-	-	-
Other payables ¹	1,358,816	-	-	-	-
Other non-trade payables ¹	1,315,903	-	-	-	-
Borrowings	4,174,759	-	4,243,974	-	4,243,974
₩	<u>7,637,300</u>	<u>-</u>	<u>4,243,974</u>	<u>-</u>	<u>4,243,974</u>

¹ Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are the reasonable approximate fair values.

² Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) are measured at cost in accordance with K-IFRS No. 1039, 'Financial Instrument: Recognition and Measurement' as fair values of such equity instruments cannot be reliably measured using other methods.

(b) Valuation Techniques

The valuation techniques used to measure financial instruments with fair value level 2 are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2014.

(c) There was no transfer between fair value hierarchy levels for the three-month period ended March 31, 2015.

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

7. Restricted Financial Instruments

Details of restricted financial instruments as of March 31, 2015 and December 31, 2014 are as follows:

<i>(In millions of won)</i>		2015	2014	Description
Short-term financial instruments	₩	-	3	Restricted for government grants
		46,000	46,000	Restricted for supporting small businesses
		22,013	21,655	Pledged for borrowings
		5,522	4,601	Pledged for consumption tax
		-	4,764	Pledged for letter of credit
		591	584	Deposit for import duties
		<u>74,126</u>	<u>77,607</u>	
Other financial assets		308	308	Pledged for borrowings
		12	12	Bank overdraft guarantee deposit
		3	3	Others
		<u>323</u>	<u>323</u>	
	₩	<u>74,449</u>	<u>77,930</u>	

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

8. Trade Receivables and Loans and Other Receivables

(1) Details of loans and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	2014
Current			
Other receivables	₩	264,113	845,468
Accrued income		9,786	28,337
Short-term loans		3,694	3,504
Short-term guarantee and other deposits		2,829	4,576
		<u>280,422</u>	<u>881,885</u>
Non-current			
Long-term other receivables		24,156	22,880
Long-term loans		6,440	7,199
Guarantee deposits		32,372	28,585
Long-term deposits		317	325
		<u>63,285</u>	<u>58,989</u>
	₩	<u><u>343,707</u></u>	<u><u>940,874</u></u>

(2) Trade receivables and loans and other receivables, net of provision for impairment, as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	
		Gross amount	Provision for impairment
			Carrying amount
Trade receivables	₩	3,263,276	(2,498)
Current loans and other receivables		281,851	(1,429)
Non-current loans and other receivables		69,362	(6,077)
	₩	<u><u>3,614,489</u></u>	<u><u>(10,004)</u></u>

(In millions of won)

		2014	
		Gross amount	Provision for impairment
			Carrying amount
Trade receivables	₩	3,735,845	(2,919)
Current loans and other receivables		883,553	(1,668)
Non-current loans and other receivables		65,023	(6,034)
	₩	<u><u>4,684,421</u></u>	<u><u>(10,621)</u></u>

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

8. Trade Receivables and Loans and Other Receivables, Continued

(3) Details of provision for impairment

Movements in the provision for impairment of trade receivables for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 2,919	3,446
Provision for receivables impairment	-	1,020
Unused amounts reversed	(335)	-
Foreign exchange difference	(86)	(34)
Ending balance	₩ 2,498	4,432

Movements in the provision for impairment of current loans and other receivables for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 1,668	2,062
Provision for receivables impairment	-	11
Receivables written off during the period as uncollectible	-	(26)
Unused amounts reversed	(238)	-
Foreign exchange difference	(1)	-
Ending balance	₩ 1,429	2,047

Movements in the provision for impairment of non-current loans and other receivables for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 6,034	12,510
Provision for receivables impairment	43	18
Foreign exchange difference	-	34
Ending balance	₩ 6,077	12,562

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

9. Inventories

Details of inventories as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015		
	Acquisition cost	Inventory valuation allowance	Carrying amount
Finished goods	₩ 501,737	(56,986)	444,751
Work-in-process	784,030	(41,846)	742,184
Raw materials	196,147	(2,580)	193,567
Supplies	121,115	(36)	121,079
Goods in transit	63,280	-	63,280
	₩ 1,666,309	(101,448)	1,564,861

(In millions of won)

	2014		
	Acquisition cost	Inventory valuation allowance	Carrying amount
Finished goods	₩ 441,393	(33,137)	408,256
Work-in-process	795,844	(33,423)	762,421
Raw materials	189,936	(1,899)	188,037
Supplies	102,738	(33)	102,705
Goods in transit	36,180	(36)	36,144
	₩ 1,566,091	(68,528)	1,497,563

10. Non-current assets held for sale

Details of changes in non-current assets held for sale for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 27,661	26,557
Foreign exchange difference	146	339
Ending balance	₩ 27,807	26,896

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

11. Other Current and Non-current Assets

Details of other current and non-current assets as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	2014
Current			
Advance payments	₩	5,866	4,501
Prepaid expenses		226,079	156,590
Others		5,994	5,984
		<u>237,939</u>	<u>167,075</u>
Non-current			
Long-term prepaid expenses		606,273	494,908
Others		11,961	13,568
		<u>618,234</u>	<u>508,476</u>
	₩	<u>856,173</u>	<u>675,551</u>

12. Investments in Associates and Joint Ventures

(1) Details of investments in associates and joint ventures as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

Type	Investee	Ownership (%)		2015	2014
				Net asset value	Carrying amount
Associate	Stratio, Inc.(*)	9.10	₩	183	2,195
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)	45.00		103,350	103,350
			₩	<u>103,533</u>	<u>105,545</u>
					97,090

(*) During the three-month period ended March 31, 2015, the Parent Company acquired 1,136,013 preferred shares of Stratio, Inc. Stratio, Inc. is classified as an associate because the Parent Company has significant influence over Stratio, Inc.'s financial and operating policies through its right to appoint a member of the board of directors.

(2) Changes in investments in associates and joint ventures for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015			
		Beginning balance	Acquisition	Share of profit	Other equity movement
Stratio, Inc.	₩	-	2,194	-	1
HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)		97,090	-	5,695	565
	₩	<u>97,090</u>	<u>2,194</u>	<u>5,695</u>	<u>566</u>
					103,350
					<u>105,545</u>

(In millions of won)

		2014			
		Beginning balance	Share of profit (loss)	Other equity movement	Ending balance
Siliconfile Technologies Inc.	₩	10,962	(465)	(143)	10,354
HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)		96,135	853	1,288	98,276
	₩	<u>107,097</u>	<u>388</u>	<u>1,145</u>	<u>108,630</u>

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

12. Investments in Associates and Joint Ventures, Continued

(3) Associate and joint venture's condensed statements of financial position as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 2,100	47	1	135
HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)	202,108	300,452	249,975	22,919

(In millions of won)

	2014			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)	₩ 251,443	306,344	289,990	52,042

(4) Associate and joint venture's condensed statements of comprehensive income (loss) for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015		2014	
	Revenue	Profit for the period	Revenue	Profit (loss) for the period
Siliconfile Technologies Inc.(*)	₩ -	-	31,958	(1,663)
Stratio, Inc.	-	-	-	-
HITECH Semiconductor (Wuxi) Co., Ltd. (HITECH)	173,820	12,654	144,832	1,894
	₩ 173,820	12,654	176,790	231

(*) Siliconfile Technologies Inc. became a subsidiary due to the Group's additional acquisition of the remaining interest on April 22, 2014. Accordingly, the information presented in the above table includes the results of Siliconfile Technologies Inc. only for the period from January 1 to April 22, 2014.

13. Available-for-sale Financial Assets

Changes in the carrying amount of available-for-sale financial assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 127,314	158,770
Acquisition	-	325
Disposal	(531)	(549)
Change in fair value	-	3,506
Ending balance	₩ 126,783	162,052

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

14. Property, Plant and Equipment

Changes in property, plant and equipment for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 14,090,334	12,129,797
Acquisition	1,921,581	1,584,026
Disposal	(4,905)	(28,200)
Depreciation	(880,164)	(774,311)
Impairment	(2)	(25,397)
Transfer(*)	(935)	1,389
Foreign exchange difference and other	21,926	(32,689)
Ending balance	₩ 15,147,835	12,854,615

(*) Transferred to intangible assets for the three-month period ended March 31, 2015 and transferred from investment property for the three-month period ended March 31, 2014.

Certain property, plant and equipment are pledged as collaterals for borrowings as of March 31, 2015 (Note 32).

The Group leases certain machinery and others from ME Semiconductor Rental First L.L.C. and other under finance lease agreements.

The book value of the machinery and others subject to finance lease agreements amounted to ₩149,047 million as of March 31, 2015 (as of December 31, 2014: ₩165,414 million). The machinery and others are pledged as collateral for the finance lease liabilities.

15. Intangible Assets

Changes in intangible assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 1,336,680	1,110,403
Acquisition	125,580	64,887
Disposal	(2,007)	(3,517)
Amortization	(61,682)	(49,864)
Impairment	(56)	-
Transfer(*)	935	-
Foreign exchange difference and other	1,816	3,075
Ending balance	₩ 1,401,266	1,124,984

(*) Transferred from property, plant, and equipment for the three-month period ended March 31, 2015.

Among costs associated with development activities, ₩79,692 million that met capitalization criteria, were capitalized as development cost for the three-month period ended March 31, 2015 (2014: ₩34,728 million). In addition, costs associated with research activities and other development expenditures that did not meet the criteria and amounted to ₩392,067 million were recognized as expenses for the three-month period ended March 31, 2015 (2014: ₩314,244 million).

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

16. Investment Property

Changes in investment property during the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 28,456	28,609
Depreciation	(330)	(311)
Transfer(*)	-	(1,389)
Ending balance	₩ 28,126	26,909

(*) Transferred to property, plant and equipment for the three-month period ended March 31, 2014.

The depreciation expense of ₩330 million was charged to cost of sales for the three-month period ended March 31, 2015 (2014: ₩311 million).

Rental income from investment property during the three-month period ended March 31, 2015 was ₩1,132 million (2014: ₩1,134 million).

17. Borrowings

(1) Details of borrowings as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Current		
Short-term borrowings	₩ 331,314	734,165
Current installments of long-term borrowings	826,137	820,855
Current installments of debentures	-	200,000
	1,157,451	1,755,020
Non-current		
Long-term borrowings	1,256,987	1,262,772
Debentures	1,157,805	1,156,967
	2,414,792	2,419,739
	₩ 3,572,243	4,174,759

(2) Changes in borrowings during the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 4,174,759	4,550,215
Borrowings	883,054	1,347,321
Repayments	(1,490,383)	(1,157,486)
Other(*)	4,813	24,128
Ending balance	₩ 3,572,243	4,764,178

(*) Effect of changes in foreign exchange rates and unwinding of discount are included.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

18. Other Current and Non-current Liabilities

Details of other current and non-current liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015	2014
Current			
Advance receipts	₩	1,777	2,682
Unearned income		288	322
Withholdings		41,162	67,174
Deposits received		1,059	858
Liabilities for emission allowances		846	-
Others		54	163
		<u>45,186</u>	<u>71,199</u>
Non-current			
Other long-term employee benefits		59,471	59,464
	₩	<u>104,657</u>	<u>130,663</u>

19. Provisions

(1) Changes in provisions for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015		
		Beginning balance	Increase	Utilization
Warranty	₩	6,886	215	(967)
Sales returns		14,646	8,557	(7,100)
Legal claims		4,400	-	-
	₩	<u>25,932</u>	<u>8,772</u>	<u>(8,067)</u>
				<u>26,637</u>

(In millions of won)

		2014		
		Beginning balance	Increase	Utilization
Warranty	₩	13,914	297	(5,181)
Sales returns		12,564	6,132	(6,906)
Legal claims		26,106	-	-
	₩	<u>52,584</u>	<u>6,429</u>	<u>(12,087)</u>
				<u>46,926</u>

(2) Provisions for warranty

The Group estimates the expected warranty costs based on historical results and accrues provisions for warranty.

(3) Provisions for sales returns

The Group estimates the expected sales returns based on historical results and adjusts sales and cost of sales, respectively. Accordingly, related gross profit and estimated expenses related to the return (such as transportation costs) are recorded as provisions for sales returns.

(4) Provisions for legal claims

The Group recognizes provisions for legal claims when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and the amount can be reliably estimated.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

20. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Present value of defined benefit obligations	₩ 923,515	887,277
Fair value of plan assets	(416,723)	(421,927)
	₩ 506,792	465,350

(2) Principal actuarial assumptions as of March 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Discount rate for defined benefit obligations	3.19% ~ 4.50%	3.19% ~ 4.50%
Expected rate of salary increase	4.92% ~ 5.81%	4.92% ~ 5.81%

(3) Changes in defined benefit obligations for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 887,277	656,080
Current service cost	33,557	26,285
Interest cost	9,822	8,857
Transferred from associates	219	482
Benefits paid	(7,322)	(7,742)
Others	(38)	52
Ending balance	₩ 923,515	684,014

(4) Changes in plan assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 421,927	20,340
Interest income	4,641	229
Contributions	15	-
Transferred from associates	41	-
Benefits paid	(8,285)	(540)
Remeasurements	(1,616)	(24)
Ending balance	₩ 416,723	20,005

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

20. Defined Benefit Liabilities, Continued

(5) The amounts recognized in profit or loss for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Current service cost	₩ 33,557	26,285
Net interest cost	5,181	8,628
	₩ 38,738	34,913

(6) Details of plan assets as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Deposits	₩ 415,134	420,300
Other	1,589	1,627
	₩ 416,723	421,927

Actual return on plan assets for the three-month periods ended March 31, 2015 and 2014 amounts to ₩3,025 million and ₩134 million, respectively.

21. Derivative Financial Instruments

(1) The Group has managed financial risk including interest rate risk through interest rates swaps and other derivative instruments. In addition, the Group bifurcated convertible options and separately accounted for them as derivative instruments which were embedded in the foreign-currency convertible bond. These convertible options were measured at fair value and changes in therein were recognized in profit or loss.

(2) Details of derivative financial liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Current		
Interest rates swap	₩ -	30
Non-current		
Interest rates swap	956	708
	₩ 956	738

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

21. Derivative Financial Instruments, Continued

(3) Details of gains and losses from derivative instruments for the three-month periods ended March 31, 2015 and 2014 are follows:

(In millions of won)

		2015			
		Gain on valuation	Loss on valuation	Gain on transaction	Loss on transaction
Interest rates swap	₩	-	247	560	638

(In millions of won)

		2014			
		Gain on valuation	Loss on valuation	Gain on transaction	Loss on transaction
Interest rates swap	₩	200	115	322	237
Embedded derivative instruments		15,627	-	-	-
	₩	15,827	115	322	237

22. Capital Stock, Capital Surplus and Other Equity

(1) Details of capital stock, capital surplus and other equity as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won, thousands of shares)

		2015	2014
Authorized shares		9,000,000	9,000,000
Issued shares(*)		731,530	731,530
Capital stock			
Common stock	₩	3,657,652	3,657,652
Capital surplus			
Additional paid-in capital		3,625,797	3,625,797
Consideration for conversion rights		42,928	42,928
Others		475,011	475,011
	₩	4,143,736	4,143,736
Other equity			
Acquisition cost of treasury shares		(24)	(24)
Number of treasury shares		1	1

(*) As of March 31, 2015, the number of outstanding shares is 728,002 thousand shares, which differs from total issued shares due to stock retirement.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

22. Capital Stock, Capital Surplus and Other Equity, Continued

(2) Changes in number of outstanding shares for the three-month period ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

(In thousands of shares)

	2015	2014
Beginning	728,002	710,201
Issue of ordinary shares related to the acquisition of a subsidiary	-	1,358
Exercise of conversion rights	-	16,443
Ending	<u>728,002</u>	<u>728,002</u>

23. Accumulated Other Comprehensive Loss

(1) Details of accumulated other comprehensive loss as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014
Equity-accounted investees – share of other comprehensive loss	₩ (4,065)	(4,631)
Foreign operations – foreign currency translation differences	(23,692)	(37,184)
	₩ <u>(27,757)</u>	<u>(41,815)</u>

(2) Changes in accumulated other comprehensive loss for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015	
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive loss	₩ (4,631)	566	(4,065)
Foreign operations – foreign currency translation differences	(37,184)	13,492	(23,692)
	₩ <u>(41,815)</u>	<u>14,058</u>	<u>(27,757)</u>

(In millions of won)

		2014	
	Beginning	Change	Ending
Available-for-sale financial assets – unrealized net change in fair value	₩ 7,824	3,418	11,242
Equity-accounted investees – share of other comprehensive loss	(8,337)	1,145	(7,192)
Foreign operations – foreign currency translation differences	(108,294)	(21,290)	(129,584)
	₩ <u>(108,807)</u>	<u>(16,727)</u>	<u>(125,534)</u>

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

24. Retained Earnings

Retained earnings as of March 31, 2015 and December 31, 2014 are as follows:

<i>(In millions of won)</i>	2015	2014
Legal reserve ¹	₩ 30,694	8,854
Discretionary reserve ²	235,506	235,506
Unappropriated retained earnings ³	11,086,418	10,032,544
	<u>₩ 11,352,618</u>	<u>10,276,904</u>

¹ The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit.

² Discretionary reserve is a reserve for technology development.

³ The dividends in the amount of ₩218,401 million were approved at stockholders' meeting held on March 20, 2015. The dividends payable are included in other payables as of March 31, 2015.

25. Selling and Administrative Expenses

Selling and administrative expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

<i>(In millions of won)</i>	2015	2014
Salaries	₩ 99,591	78,174
Defined benefit plan related expenses	6,184	5,422
Employee benefits	18,863	14,040
Commission expense	37,718	45,728
Depreciation	19,995	14,087
Amortization	57,991	48,933
Research and development	392,067	314,244
Freight and custody charge	10,190	9,671
Legal cost	1,002	2,467
Rental expense	5,800	3,089
Taxes and dues	4,360	3,466
Training expense	7,235	3,206
Sales promotional expenses	10,037	7,194
Utility expense	3,264	2,363
Supplies	13,503	6,513
Repair expense	1,559	4,581
Other	10,503	11,824
	<u>₩ 699,862</u>	<u>575,002</u>

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

26. Expenses by Nature

Nature of expenses for the three-month periods ended March 31, 2015 and 2014 is as follows:

<i>(In millions of won)</i>		2015	2014²
Changes in finished goods and work-in-process	₩	(16,258)	(87,016)
Raw materials and consumables		698,561	573,231
Employee benefit expenses		663,957	516,096
Depreciation and amortization		940,686	823,429
Royalty expense		45,349	41,940
Commission expense		173,541	147,747
Utilities expense		167,371	154,392
Repair expense		253,092	212,774
Outsourcing expense		264,603	235,084
Other		38,909	67,747
Total ¹	₩	<u>3,229,811</u>	<u>2,685,424</u>

¹ Total expenses consist of cost of sales and selling and administrative expenses.

² Expenses for the three-month period ended March 31, 2014 were reclassified to conform with the classification for the three-month period ended March 31, 2015.

27. Finance Income and Expenses

Finance income and expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

<i>(In millions of won)</i>		2015	2014
Finance income			
Interest income	₩	8,964	16,273
Dividend income		995	4
Gains on disposal of financial assets at fair value through profit or loss		13,424	-
Gain on disposal of available-for-sale financial assets		-	220
Foreign exchange differences		176,172	92,986
Gain from derivative instruments		560	16,149
Gain on valuation of financial assets at fair value through profit or loss		487	6,082
		<u>200,602</u>	<u>131,714</u>
Finance expenses			
Interest expenses		26,011	53,340
Foreign exchange differences		152,226	102,765
Loss from derivative instruments		885	352
		<u>179,122</u>	<u>156,457</u>
Net finance income (expenses)	₩	<u>21,480</u>	<u>(24,743)</u>

SK HYNIX, INC. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015 and 2014

(Unaudited)

28. Other Income and Expenses

Other income for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Gain on disposal of property, plant and equipment ₩	-	457
Other	5,422	6,428
	₩ 5,422	6,885

Other expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Loss on disposal of property, plant and equipment ₩	85	2,081
Loss on disposal of intangible assets	1,852	3,517
Donation	12,364	343
Loss on disposal of trade receivables	318	782
Loss on impairment of property, plant and equipment	2	25,397
Loss on impairment of intangible assets	56	-
Other	4,370	38,187
	₩ 19,047	70,307

29. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the annual effective income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. Income tax expense includes current tax expense adjustments related to prior periods.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

30. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of outstanding ordinary shares during the three-month periods.

(1) Basic earnings per share for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won, except for shares and per share amounts)

	2015	2014
Profit attributable to ordinary shareholders	₩ 1,295,730	802,538
Weighted average number of outstanding ordinary shares(*)	728,001,795	710,200,891
Basic earnings per share	₩ 1,780	1,130

(*) Weighted average number of outstanding ordinary shares is calculated as follows:

(In shares)

	2015	2014
Outstanding ordinary shares	728,002,365	710,200,891
Acquisition of treasury shares	(570)	-
Weighted average number of outstanding ordinary shares.	728,001,795	710,200,891

(2) There is no potential ordinary shares with dilutive effect during the three-month period ended March 31, 2015. Diluted earning per share for the three-month period ended March 31, 2014 is as follows:

(In millions of won, except for shares and per share amounts)

	2014
Profit attributable to ordinary shareholders	₩ 802,538
Convertible bond related benefits	(570)
Adjusted profit attributable to ordinary shareholders	801,968
Adjusted weighted average number of outstanding ordinary shares(*)	726,638,891
Diluted earnings per share	₩ 1,104

(*) Adjusted weighted average number of outstanding ordinary shares is calculated as follows:

(In shares)

	2014
Weighted average number of outstanding ordinary shares	710,200,891
Effect of convertible bond	16,438,000
Adjusted weighted average number of outstanding ordinary shares	726,638,891

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

31. Related Party Transactions

(1) Details of related parties as of March 31, 2015 are as follows:

Type	Name of related parties
Associate	Stratio, Inc.
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.
Other related parties	SK Telecom Co., Ltd., which has significant influence over the Group, SK Holdings Co., Ltd., which has control over SK Telecom Co., Ltd., and their subsidiaries

(2) Significant transactions for the three-month periods March 31, 2015 and 2014 are as follows:

(In millions of won)

		2015		
	Company	Operating revenue and others	Operating expense and others	Asset acquisition
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)	₩ 515	174,429	-
Other related parties	SK Telecom Co., Ltd. ¹	5	46,561	253
	SK Holdings Co., Ltd. ²	-	9,524	-
	SK Engineering & Construction Co., Ltd.	62	54	387,008
	SK Energy Co., Ltd.	1,339	18,614	-
	SK Networks Co., Ltd.	-	716	-
	Ko-one energy service Co., Ltd.	-	1,018	-
	SKC solmics Co., Ltd.	-	8,131	35
	Chungcheong energy service Co., Ltd.	-	10,989	-
	HAPPYNARAE Co., Ltd.	7	15,066	408
	Others	74	9,310	2,717
		₩ 2,002	294,412	390,421

¹ Operating expense and others include dividends of ₩43,830 million.

² The Group entered into a contract with SK Holdings Co., Ltd. under which the Group shall pay royalty for the use of SK brand in proportion to sales amount. For the three-month period ended March 31, 2015, royalty on use of the SK brand amounted to ₩7,193 million (2014: ₩5,221 million).

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

31. Related Party Transactions, Continued

(2) Significant transactions for the three-month periods March 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

		2014		
	Company	Operating revenue and others	Operating expense and others	Asset acquisition
Associate	Siliconfile Technologies Inc.	₩ 25,109	411	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)	12,849	145,445	-
Other related parties	SK Telecom Co., Ltd.	879	1,618	308
	SK Holdings Co., Ltd.	-	5,221	-
	SK C&C Co., Ltd.	70	5,879	12,225
	SK Engineering & Construction Co., Ltd.	262	7,800	124,241
	SK Energy Co., Ltd.	1,362	19,053	-
	SK Networks Co., Ltd.	-	559	2,772
	Ko-one energy service Co., Ltd.	-	947	-
	SKC solmics Co., Ltd.	-	6,607	326
	Chungcheong energy service Co., Ltd.	-	11,500	-
	HAPPYNARAE Co., Ltd.	38	14,139	2,020
	Others	73	4,348	439
		₩ 40,642	223,527	142,331

(3) The balances of significant transactions as of March 31, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015		
	Company	Trade receivables and others	Other payables and others	Borrowings²
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)	₩ 1,098	135,297	8,778
Other related parties	SK Telecom Co., Ltd. ¹	-	46,205	-
	SK Holdings Co., Ltd.	-	2,343	-
	SK Engineering & Construction Co., Ltd.	23	427,705	-
	SK Energy Co., Ltd.	463	4,653	-
	SK Networks Co., Ltd.	-	155	-
	Ko-one energy service Co., Ltd.	-	-	-
	SKC solmics Co., Ltd.	-	8,361	-
	Chungcheong energy service Co., Ltd.	-	2,160	-
	HAPPYNARAE Co., Ltd.	4	8,936	-
	Others	26	24,283	-
		₩ 1,614	660,098	8,778

¹ Other payables and others include dividends payable of ₩43,830 million.

² The Parent Company repaid ₩13,774 million of borrowings from HITECH Semiconductor(Wuxi) Co., Ltd. During the three-month period ended March 31, 2015.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

31. Related Party Transactions, Continued

(3) The balances of significant transactions as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(In millions of won)

		2014		
	Company	Trade receivables and others	Other payables and others	Borrowings
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)	₩ 18,393	113,257	22,552
Other related parties	SK Telecom Co., Ltd.	2,763	2,622	-
	SK Holdings Co., Ltd.	-	3,080	-
	SK Engineering & Construction Co., Ltd.	23	561,004	-
	SK Energy Co., Ltd.	462	5,961	-
	SK Networks Co., Ltd.	-	479	-
	SKC solmics Co., Ltd.	-	9,258	-
	Chungcheong energy service Co., Ltd.	-	3,295	-
	HAPPYNARAE Co., Ltd.	1	14,606	-
	Others	32	14,455	-
		₩ 21,674	728,017	22,552

(4) Key management compensation

Key management includes directors, members of the board of directors, chief financial officer, subsidiary's executives and internal auditors. The compensation paid to key management for employee services for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

Details	2015	2014
Salaries	₩ 18,931	22,200
Defined benefit plan related expenses	1,716	1,399
Others	4	5
	₩ 20,651	23,604

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

32. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of March 31, 2015 are as follows:

(a) SanDisk Corporation ("SanDisk")

SanDisk filed a lawsuit against the Parent Company and its subsidiaries (SK hynix America Inc. and SK hynix memory solutions Inc.) in Santa Clara Superior Court of the United States of America, alleging misappropriation of trade secrets jointly owned by SanDisk and Toshiba, on March 13, 2014 ("SanDisk lawsuit"). The litigation value of the SanDisk lawsuit has not been determined. Meanwhile, on November 6, 2014, the Parent Company requested transfer of the lawsuit to the United States District Court for California (the federal courts), for which SanDisk filed opposition. A hearing on this case is scheduled in the near future. As of March 31, 2015, above lawsuits are at an early stage and the final outcome of these matters cannot be predicted.

(b) Lawsuit regarding ordinary wages

On August 1, 2014, some of the Parent Company's employees filed a lawsuit against the Parent Company to the Suwon District Court, seeking additional payment of overtime allowance in relation to ordinary wages. In this regard, the Parent Company submitted a written response on September 5, 2014, and oral pleading is in process. As of March 31, 2015, the Group did not recognize any provision as the likelihood of defending this case appears probable. However, the final outcome of this contingency cannot be predicted as of March 31, 2015.

(c) Other patent infringement claims and litigation

The Group is involved in various alleged patent infringement claims and litigation. No provisions have been made as management believes it not likely an outflow of the Group's resources will be required to settle these matters. As of March 31, 2015, the final outcome of these matters cannot be determined, but could have a material effect on the Group's consolidated financial statements.

(2) Technology and patent license agreements

The Group has entered into a number of patent license agreements with several companies. The related royalties are paid in a lump sum or running basis in accordance with the respective agreements. Lump-sum royalties are expensed over the contract period using the straight-line method.

(3) Contract for supply of industrial water

In March 2001, the Group and Veolia Water Industrial Development Co., Ltd. ("VWID") entered into a contract for the purpose of purchasing industrial water from VWID for 12 years from March 2001 to March 2013. In December 2006, the contract was extended to March 2018, and subsequently amended due to the establishment of additional plants. According to the amended contract, the Group is obligated to pay base service charges which are predetermined and additional service charges which are variable according to the amount of water used.

(4) Post-process service contract with HITECH

In 2009, the Group entered into an agreement with HITECH to be provided with post-process service by HITECH. In addition, HITECH entered into agreements to purchase corresponding machinery from the Parent Company and its subsidiary, SKHYMC. According to the contracts, HITECH should use the machinery only for the purpose of providing the post-process service to the Group exclusively until September 2015. In 2011, the Parent Company entered into an additional contract for the purpose of module processing service and HITECH purchased corresponding machinery from the Parent Company. According to the agreement, the Group is liable to guarantee a certain level of margin to HITECH.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

32. Commitments and Contingencies, Continued

(5) Assets provided as collateral

Details of assets provided as collateral as of March 31, 2015 are as follows:

(In millions of won)

	Book value	Pledged amount	Remark
Land	₩ 25,202		
Buildings	118,718	1,241,565	Borrowings for equipment and others
Machinery	679,350		
	₩ 823,270	1,241,565	

Other than the above assets provided as collateral, the finance lease assets of the Group are pledged as collateral for the finance lease liabilities in accordance with the finance lease contracts.

(6) Financing agreements

Details of credit lines with financial institutions as of March 31, 2015 are as follows:

(In millions of won and millions of foreign currencies)

	Financial Institution	Commitment	Currency	Amount
The Parent Company	Korea Exchange	Import finance including usance	USD	265
	Bank and others	Export finance including bills bought	USD	350
		Comprehensive limit contract for import and export	USD	1,390
SK Hynix Semiconductor (China) Ltd. (SKHYCL)	Agricultural Bank of China and others	Import finance including usance	RMB	1,700
			USD	1,235
SK Hynix America Inc. (SKHYA) and other sales entities	Citibank and others	Accounts receivable factoring contracts which have no right to recourse	USD	495
Domestic subsidiaries	Korea Exchange Bank	Export finance including bills bought	KRW	5,000
		Guarantee	KRW	2,000
		Foreign currency forward	USD	1

The Group has entered into trade receivables discounting agreements with several financial institutions. There are outstanding trade receivables discounted corresponding to ₩220,002 million as of March 31, 2015 (as of December 31, 2014: ₩220,663 million). The Group is obliged to redeem discounted receivables to financial institutions in case of the default of the counterparties and accordingly, accounted for the above transactions as collateralized borrowings.

(7) Details of guarantees provided to others as of March 31, 2015 are as follows:

(In millions of won)

	Amount	Remark
Employees	₩ 27	Guarantees for employees' borrowings relating to employee stock ownership

(8) Capital commitments

As of March 31, 2015, the Group has ₩867,895 million (as of December 31, 2014: ₩348,802 million) of commitments in relation to the capital expenditures on property, plant and equipment.

SK HYNIX, INC. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2015 and 2014
(Unaudited)

33. Cash Generated from Operating Activities

Reconciliations between profit and net cash inflow from operating activities for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Profit for the period	₩ 1,295,456	802,254
Adjustment		
Income tax expense	306,624	167,235
Defined benefit plan related expenses	38,738	34,913
Depreciation	880,164	774,311
Depreciation of investment property	330	311
Amortization	61,682	49,864
Loss on foreign currency translation	46,997	43,412
Loss on impairment of property, plant and equipment	2	25,397
Interest expense	26,011	53,340
Gain on foreign currency translation	(51,535)	(17,427)
Interest income	(8,964)	(16,273)
Loss (gain) on derivative instruments, net	325	(15,797)
Gain on equity method investments, net	(5,695)	(388)
Others, net	(11,357)	864
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	476,469	(322,342)
Decrease in loans and other receivables	580,064	82,508
Increase in inventories	(63,545)	(85,586)
Increase in other assets	(182,771)	(52,723)
Increase (decrease) in trade payables	(109,443)	34,426
Decrease in other payables	(45,025)	(70,819)
Decrease in other non-trade payables	(433,257)	(266,412)
Decrease in provisions	(659)	(5,529)
Increase (decrease) in other liabilities	(31,241)	19,947
Payment of defined benefit liabilities	(2,770)	(7,202)
Cash generated from operating activities	₩ <u>2,766,600</u>	<u>1,228,284</u>

Details of significant transactions without inflows and outflows of cash for the three-month periods ended March 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Increase in other payables related to acquisition of property, plant and equipment	₩ 282,708	350,795