

SK HYNIX, INC.

Condensed Consolidated Interim Financial Statements

March 31, 2014

(Unaudited)

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

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

Reviewed financial statements

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, 2014, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 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 review.

We conducted our review 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 information 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 auditing standards generally accepted in the Republic of Korea 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 review, 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 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. Accordingly, this report and the accompanying condensed consolidated interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice

The condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2013 were reviewed by other auditors whose report thereon dated May 8, 2013, expressed that nothing came to their attention that caused them to believe that the accompanying condensed consolidated interim financial statements for the three-month period ended March 31, 2013 were not prepared fairly, in all material respects, in accordance with K-IFRS No.1034, 'Interim Financial Reporting'.

The consolidated statement of financial position of the Company as of December 31, 2013, 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 other auditors, and their report thereon dated February 25, 2014, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2013, presented for comparative purposes, is not different from that audited by other auditors in all material respects.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 8, 2014

This report is effective as of May 8, 2014, 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.
Condensed Consolidated Statements of Financial Position
As of March 31, 2014 and December 31, 2013

(In millions of won)

	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents	5,6 ₩	319,961	631,867
Short-term financial instruments	5,6,7	2,818,066	2,154,532
Trade receivables, net	5,6,8,31	2,324,972	1,941,675
Loans and other receivables, net	5,6,8	200,395	323,759
Other financial assets	5,6,7,21	29,611	245,808
Inventories, net	9	1,261,807	1,178,300
Current tax assets		1,521	9,242
Assets held for sale	10	26,896	26,557
Other current assets	11	171,160	141,384
		<u>7,154,389</u>	<u>6,653,124</u>
Non-current assets			
Equity-accounted investees	12	108,630	107,097
Available-for-sale financial assets	5,6,13	162,052	158,770
Loans and other receivables, net	5,6,8	44,954	43,090
Other financial assets	5,6,7,21	1,914	2,017
Property, plant and equipment, net	14,32	12,854,615	12,129,797
Intangible assets, net	15	1,124,984	1,110,403
Investment property, net	16	26,909	28,609
Deferred tax assets		203,016	198,570
Other non-current assets	11	384,276	365,821
		<u>14,911,350</u>	<u>14,144,174</u>
Total assets	₩	<u>22,065,739</u>	<u>20,797,298</u>

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.

Condensed Consolidated Statements of Financial Position, Continued
As of March 31, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	2014	2013
Liabilities			
Current liabilities			
Trade payables	5,6 ₩	699,148	648,793
Other payables	5,6,31	1,086,891	788,304
Other non-trade payables	5,6	414,972	677,120
Borrowings	5,6,17,31	1,495,661	870,320
Other financial liabilities	5,6,21	312	2,194
Provisions	19,32	46,926	52,584
Current tax liabilities		175,607	12,084
Other current liabilities	18	45,151	26,840
		<u>3,964,668</u>	<u>3,078,239</u>
Non-current liabilities			
Other non-trade payables	5,6	171,928	177,101
Borrowings	5,6,17,31	3,268,517	3,679,895
Other financial liabilities	5,6,21	91,222	107,094
Defined benefit liabilities, net	20	664,009	635,740
Other non-current liabilities	18	53,019	52,370
		<u>4,248,695</u>	<u>4,652,200</u>
Total liabilities		<u>8,213,363</u>	<u>7,730,439</u>
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	1,22	3,568,645	3,568,645
Capital surplus	22	3,406,083	3,406,083
Accumulated other comprehensive loss	23	(125,534)	(108,807)
Retained earnings	24	7,003,836	6,201,322
Total equity attributable to owners of the Parent Company		<u>13,853,030</u>	<u>13,067,243</u>
Non-controlling interests		<u>(654)</u>	<u>(384)</u>
Total equity		<u>13,852,376</u>	<u>13,066,859</u>
Total liabilities and equity	₩	<u>22,065,739</u>	<u>20,797,298</u>

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.
Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2014 and 2013

(In millions of won, except per share information)

	Note	2014	2013
Revenue	4,31	₩ 3,742,690	2,781,147
Cost of sales	26,31	2,110,422	2,018,229
Gross profit		1,632,268	762,918
Selling and administrative expense	25,26	575,002	445,967
Operating profit		1,057,266	316,951
Finance income	6,21,27	131,714	142,993
Finance expense	6,21,27	(156,457)	(258,214)
Share of profit of equity-accounted investees	12	388	3,614
Other income	28	6,885	17,561
Other expenses	28	(70,307)	(14,688)
Profit before income tax		969,489	208,217
Income tax expense	29	167,235	29,504
Profit for the period		802,254	178,713
Other comprehensive income (loss)			
Item that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability, net of tax	20	(24)	(16)
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets – net change in unrealized fair value, net of tax	13	3,418	6,575
Foreign operations – foreign currency translation differences, net of tax		(21,276)	114,902
Equity-accounted investees – share of other comprehensive income, net of tax	12	1,145	3,681
Other comprehensive income (loss), net of tax		(16,737)	125,142
Total comprehensive income for the period		₩ 785,517	303,855
Profit (loss) attributable to:			
Owners of the Parent Company		802,538	178,595
Non-controlling interests		(284)	118
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		785,787	303,623
Non-controlling interests		(270)	232
Earnings per share			
Basic earnings per share (won)	30	1,130	257
Diluted earnings per share (won)	30	1,104	257

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.

Condensed Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2014 and 2013

	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, 2013	₩ 3,488,419	3,053,874	(115,402)	3,313,265	9,740,156	(714)	9,739,442
Total comprehensive income	-	-	-	178,595	178,595	118	178,713
Profit for the period	-	-	-	-	-	-	-
Unrealized net changes in fair values of available-for-sale financial assets, net of tax	-	-	6,575	-	6,575	-	6,575
Remeasurements of defined benefit liability, net of tax	-	-	-	(16)	(16)	-	(16)
Other comprehensive income from joint venture and associate, net of tax	-	-	3,681	-	3,681	-	3,681
Foreign currency translation differences for foreign operations, net of tax	-	-	114,788	-	114,788	114	114,902
Total comprehensive income	-	-	125,044	178,579	303,623	232	303,855
Transactions with owners of the Parent Company							
Exercise of conversion rights	48	201	-	-	249	-	249
Total transactions with owners of the Parent Company	48	201	-	-	249	-	249
Balance at March 31, 2013	₩ 3,488,467	3,054,075	9,642	3,491,844	10,044,028	(482)	10,043,546

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.
Condensed Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2014 and 2013

<i>(In millions of won)</i>	Note	2014	2013
Cash flows from operating activities			
Cash generated from operating activities	33 ₩	1,228,284	990,056
Interest received		17,132	7,169
Interest paid		(39,137)	(50,738)
Dividends received		4	1,362
Income tax refund (paid)		4,242	(2,089)
Net cash provided by operating activities		1,210,525	945,760
Cash flows from investing activities			
Decrease in short-term financial instruments		3,616,041	354,349
Increase in short-term financial instruments		(4,273,064)	(413,645)
Decrease in loans and other receivables		365	477
Increase in loans and other receivables		(2,415)	(846)
Proceeds from disposal of available-for-sale financial assets		768	119
Acquisition of available-for-sale financial assets		(325)	(852)
Decrease in other financial assets		245,847	-
Increase in other financial assets		(30,072)	(29,977)
Cash inflows from derivative transactions		-	463
Cash outflows from derivative transactions		(1,867)	(1,515)
Proceeds from disposal of property, plant and equipment		26,575	9,553
Acquisition of property, plant and equipment		(1,230,914)	(497,484)
Proceeds from disposal of intangible assets		-	200
Acquisition of intangible assets		(64,887)	(69,513)
Receipt of government grants		502	-
Net cash used in investing activities	₩	(1,713,446)	(648,671)

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.

Condensed Consolidated Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2014 and 2013

(In millions of won)

	2014	2013
Cash flows from financing activities		
Proceeds from borrowings	₩ 1,347,321	1,217,425
Repayments of borrowings	(1,157,486)	(1,438,186)
Net cash provided by (used in) financing activities	<u>189,835</u>	<u>(220,761)</u>
Effect of movements in exchange rates on cash and cash equivalents	<u>1,180</u>	<u>6,396</u>
Net increase (decrease) in cash and cash equivalents	(311,906)	82,724
Cash and cash equivalents at beginning of the period	631,867	658,387
Cash and cash equivalents at end of the period	<u>₩ 319,961</u>	<u>741,111</u>

See accompanying notes to the condensed consolidated interim financial statements.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

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 are located in 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, China.

As of March 31, 2014, the shareholders of the Parent Company are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
SK Telecom Co., Ltd.	146,100,000	20.57
Share Management Council ¹	12,836,976	1.81
Other investors ²	551,263,915	77.62
	710,200,891	100.00

¹ As of March 31, 2014, 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	10,092,500	1.42
Korea Finance Corporation	1,214,309	0.17
Shinhan Bank	725,000	0.10
Other financial institutions	805,167	0.12
	12,836,976	1.81

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, 2014.

In addition, according to the share purchase agreement, SK Telecom Co., Ltd. or a third party designated by SK Telecom Co., Ltd. has the share purchase option when the Share Management Council sells all or a part of its shares. The exercise period of the share purchase option would be automatically renewed until the shareholding of the Share Management Council drops below 10 million shares.

² National Pension Service and other individual investors are included.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

1. Reporting Entity, Continued

(2) Details of the Group's consolidated subsidiaries as of March 31, 2014 and December 31, 2013 are as follows:

Company	Location	Business	Ownership (%)	
			2014	2013
SK hyeng Inc. ¹	Korea	Domestic subsidiary	100.00	100.00
SK hystec Inc.	Korea	Domestic subsidiary	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) ²	U.S.A.	Discontinued subsidiary	100.00	100.00
SK hynix Deutschland GmbH (SKHYD)	Germany	Overseas sales subsidiary	100.00	100.00
SK hynix Europe Holding Ltd. (SKHYE) ³	U.K.	Holding company	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 Pvt. Ltd. (SKHYIS) ⁴	India	Overseas sales subsidiary	100.00	100.00
SK hynix Semiconductor HongKong 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)	Korea	Overseas R&D center	100.00	100.00
SK APTECH Ltd. (SKAPTECH) ⁵	Korea	Holding company	100.00	100.00
SK hynix Semiconductor (Chongqing) Ltd. (SKHYCQL) ⁶	U.S.A.	Overseas manufacturing subsidiary	100.00	100.00

¹ The board of directors of SK hyeng Inc. approved the spinoff of its technical assessment division on January 18, 2014, and the date of the spinoff is April 1, 2014.

² Subsidiary of SK hynix America Inc.

³ As of March 31, 2014, SK hynix Europe Holding Ltd. is in the process of liquidation.

⁴ Subsidiary of SK hynix Asia Pte. Ltd.

⁵ The Parent Company invested ₩32,292 million in SK APTECH Ltd. during the three-month period ended March 31, 2014.

⁶ Subsidiary of SK APTECH Ltd.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

1. Reporting Entity, Continued

(3) There was no change in subsidiaries for the three-month period ended March 31, 2014.

(4) Major subsidiaries' summarized statements of financial position as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014			2013		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
SK hynix America Inc.(SKHYA)	₩ 1,001,904	958,497	43,407	964,682	911,513	53,169
SK hynix Asia Pte. Ltd.(SKHYS)	322,702	256,658	66,044	231,649	164,390	67,259
SK hynix Semiconductor HongKong Ltd.(SKHYH)	369,531	299,321	70,210	353,248	284,438	68,810
SK hynix Japan Inc.(SKHYJ)	364,808	311,360	53,448	302,971	250,962	52,009
SK hynix Semiconductor Taiwan Inc.(SKHYT)	339,149	293,973	45,176	240,489	197,975	42,514
SK hynix Semiconductor (China) Ltd.(SKHYCL)	3,559,116	1,197,505	2,361,611	3,652,044	1,212,007	2,440,037
SK hynix Deutschland GmbH(SKHYD)	125,239	91,289	33,950	98,150	63,706	34,444
SK hynix U.K. Ltd.(SKHYU)	119,872	108,022	11,850	78,020	66,080	11,940

(5) Major subsidiaries' summarized statements of comprehensive income for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014			2013		
	Revenue	Net profit (loss)	Total comprehensive income (loss)	Revenue	Net profit (loss)	Total comprehensive income (loss)
SK hynix America Inc.(SKHYA)	₩ 1,335,987	(10,445)	(10,445)	1,036,866	8,249	8,249
SK hynix Asia Pte. Ltd.(SKHYS)	438,392	(2,076)	(2,076)	229,144	75	75
SK hynix Semiconductor HongKong Ltd.(SKHYH)	718,210	549	549	503,688	(2,766)	(2,766)
SK hynix Japan Inc.(SKHYJ)	172,737	(268)	(268)	143,344	9,213	9,213
SK hynix Semiconductor Taiwan Inc.(SKHYT)	459,988	3,022	3,022	379,554	2,344	2,344
SK hynix Semiconductor (China) Ltd.(SKHYCL)	464,660	(54,279)	(54,279)	550,296	86,584	86,584
SK hynix Deutschland GmbH(SKHYD)	166,266	(115)	(115)	128,201	915	915
SK hynix U.K. Ltd.(SKHYU)	131,100	(242)	(242)	119,153	978	978

(6) There are no significant non-controlling interests to the Group as of March 31, 2014 and December 31, 2013. In addition, there were no dividends paid by subsidiaries whose non-controlling interests are significant for the three-month periods ended March 31, 2014 and 2013.

SK HYNIX, INC.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013

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, 2013. 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, 2013.

3. Significant Accounting Policies

Except as described below, 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, 2013. The following change in accounting policy is also expected to be reflected in the Group's consolidated financial statements as of and for the year ending December 31, 2014.

K-IFRS No. 1032, 'Financial Instruments: Presentation'

Amendment to K-IFRS No.1032, 'Financial Instruments: Disclosure', provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. The amendments are effective from January 1, 2014 and have no significant impact on the Group's financial statements.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

4. Geographic, Product and Customer Information

The Group's chief operating decision maker 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, 2014 and 2013, are as follows:

(In millions of won)

		2014	2013
Sale of goods	₩	3,724,953	2,766,949
Sale of services		17,737	14,198
	₩	<u>3,742,690</u>	<u>2,781,147</u>

(2) Details of the Groups' revenue by product and service types for the three-month periods ended March 31, 2014 and 2013 are as follows:

(In millions of won)

		2014	2013
DRAM	₩	2,992,117	1,989,432
NAND Flash		623,133	681,939
Other		127,440	109,776
	₩	<u>3,742,690</u>	<u>2,781,147</u>

(3) The Group's revenue information by region based on the location of selling entities for the three-month periods ended March 31, 2014 and 2013, are as follows

(In millions of won)

		2014	2013
Korea	₩	298,129	232,341
China		740,003	510,621
Asia (other than China)		1,073,856	751,443
USA		1,334,550	1,041,135
Europe		296,152	245,607
	₩	<u>3,742,690</u>	<u>2,781,147</u>

(4) The Group's non-current assets (excluding financial assets, investments in joint ventures and associates and deferred income tax assets) information by region based on the location of subsidiaries as of March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014	2013
Korea	₩	11,048,281	10,424,568
China		3,040,923	2,912,948
Asia (other than China)		6,349	5,834
USA		293,653	289,682
Europe		1,578	1,598
	₩	<u>14,390,784</u>	<u>13,634,630</u>

(5) Revenue from a customer that constitutes more than 10% of the Group's sales revenue for the three-month periods ended March 31, 2014 and 2013 amounts to ₩500,922 million and ₩573,915 million respectively.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

5. Categories of Financial Instruments

(1) Categories of financial assets as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Held-to- maturity financial assets	Loans and receivables	Total
Cash and cash equivalents	₩ -	-	-	319,961	319,961
Short-term financial instruments	1,156,355	-	-	1,661,711	2,818,066
Trade receivables	-	-	-	2,324,972	2,324,972
Other receivables	-	-	-	245,349	245,349
Other financial assets(*)	157	-	29,611	1,757	31,525
Available-for-sale financial assets	-	162,052	-	-	162,052
	<u>₩ 1,156,512</u>	<u>162,052</u>	<u>29,611</u>	<u>4,553,750</u>	<u>5,901,925</u>

(In millions of won)

	2013				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Held-to- maturity financial assets	Loans and receivables	Total
Cash and cash equivalents	₩ -	-	-	631,867	631,867
Short-term financial instruments	1,045,974	-	-	1,108,558	2,154,532
Trade receivables	-	-	-	1,941,675	1,941,675
Other receivables	-	-	-	366,849	366,849
Other financial assets(*)	272	-	245,808	1,745	247,825
Available-for-sale financial assets	-	158,770	-	-	158,770
	<u>₩ 1,046,246</u>	<u>158,770</u>	<u>245,808</u>	<u>4,050,694</u>	<u>5,501,518</u>

(*) Details of other financial assets as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

	2014		2013	
Current				
Held-to-maturity financial assets	₩	29,611		245,808
Non-current				
Long-term financial instruments		1,757		1,745
Derivative assets		157		272
		<u>1,914</u>		<u>2,017</u>
	₩	<u>31,525</u>		<u>247,825</u>

SK HYNIX, INC.

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5. Categories of Financial Instruments, Continued

(2) Categories of financial liabilities as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payables	₩ -	699,148	699,148
Other payables	-	1,086,891	1,086,891
Other non-trade payables(*)	-	586,900	586,900
Borrowings	-	4,764,178	4,764,178
Other financial liabilities	91,534	-	91,534
	₩ 91,534	7,137,117	7,228,651

(In millions of won)

	2013		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payables	₩ -	648,793	648,793
Other payables	-	788,304	788,304
Other non-trade payables(*)	-	854,221	854,221
Borrowings	-	4,550,215	4,550,215
Other financial liabilities	109,288	-	109,288
	₩ 109,288	6,841,533	6,950,821

(*) Details of other non-trade payables as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013
Accrued expenses	₩ 414,972	677,120
Long-term other payables	162,116	166,641
Rent deposit payables	9,812	9,844
Long-term accrued expenses	-	616
	₩ 586,900	854,221

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, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The interim financial statements do not include all the financial risk management and disclosures that are required in the annual financial statements.

There is no significant change in risk management department and policies for the three-month period ended March 31, 2014.

6. Financial Risk Management, Continued

(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, 2014 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	3,211	₩ 3,431,593	3,823	₩ 4,085,820
EUR	4	6,114	184	269,864
JPY	2,708	28,132	42,033	436,609
Other	1	773	-	281
		₩ 3,466,612		₩ 4,792,574

As of March 31, 2014, 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	₩ (65,423)	65,423
EUR	(26,375)	26,375
JPY	(40,848)	40,848
Other	49	(49)
	₩ (132,597)	132,597

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale financial assets. In order to manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. As of March 31, 2014, available-for-sale equity securities measured at fair value amount to ₩35,471 million.

6. 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 through floating rate borrowings, and is partially offset by financial assets held at floating rates.

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, 2014, the Group is in a net borrowing position and is partially exposed to a risk of increase in interest rates. However, the Group adequately minimizes risks from changes in interest rate fluctuations by matching variable interest bearing short-term borrowings with variable interest-bearing financial deposits.

As of March 31, 2014, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the period would have been ₩3,647 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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 credit worthiness 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 credit worthiness 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 credit worthiness 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 Global Credit Insurance Program with a credit insurance company, Korea Trade Insurance Corporation, to manage credit risk exposure from oversea customers. The maximum exposure to credit risk as of March 31, 2014 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, 2014 is the carrying amount of those financial assets. The Group transacts only with banks and financial institutions with high credit ratings, and accordingly managements do not expect any losses from non-performance by these counterparties.

6. Financial Risk Management, Continued**(c) Liquidity risk**

Due to large investments in facilities made by the Group, maintaining adequate level of liquidity is very important. The Group strives to achieve this goal by periodically forecasting its capital balance, estimating required cash levels, and managing cash inflows and expenditures.

In addition, the Group mitigates liquidity risk by contracting foreign trade finance and trade receivables discount agreements with financial institutions. For large facility investments, liquidity risk is minimized by utilizing internal reserves and long-term borrowings which are in line with the future capital expenditure schedule.

There are no significant changes in the contractual undiscounted cash flows of financial liability except for short-term borrowings during the three-month period ended March 31, 2014 compared to December 31, 2013.

(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 Group monitors its capital structure with debt-to-equity ratio and net borrowing ratios.

The debt-to-equity ratio and net borrowing ratio as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

	2014	2013
Total liabilities (A)	₩ 8,213,363	7,730,439
Total equity (B)	13,852,376	13,066,859
Cash and cash equivalents and short-term financial instruments (C)	3,138,027	2,786,399
Total borrowings (D)	4,764,178	4,550,215
Debt-to-equity ratio (A/B)	59%	59%
Net borrowing ratio (D-C)/B	12%	13%

SK HYNIX, INC.

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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: quoted prices (unadjusted) 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, 2014 and December 31, 2013:

(In millions of won)

		2014				
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value						
Short-term financial instruments	₩	1,156,355	-	1,156,355	-	1,156,355
Other financial assets		157	-	157	-	157
Available-for-sale financial assets		35,471	35,471	-	-	35,471
		<u>1,191,983</u>	<u>35,471</u>	<u>1,156,512</u>	<u>-</u>	<u>1,191,983</u>
Financial assets not measured at fair value						
Cash and cash equivalents ¹		319,961	-	-	-	-
Short-term financial instruments ¹		1,661,711	-	-	-	-
Trade receivables ¹		2,324,972	-	-	-	-
Other receivables ¹		245,349	-	-	-	-
Other financial assets ¹		31,368	-	-	-	-
Available-for-sale financial assets ^{1,2}		126,581	-	-	-	-
		<u>4,709,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value						
Other financial liabilities		91,534	-	91,534	-	91,534
		<u>91,534</u>	<u>-</u>	<u>91,534</u>	<u>-</u>	<u>91,534</u>
Financial liabilities not measured at fair value						
Trade payables ¹		699,148	-	-	-	-
Other payables ¹		1,086,891	-	-	-	-
Other non-trade payables ¹		586,900	-	-	-	-
Borrowings		2,801,282	-	2,828,058	-	2,828,058
Debentures		1,962,896	-	2,053,823	-	2,053,823
	₩	<u>7,137,117</u>	<u>-</u>	<u>4,881,881</u>	<u>-</u>	<u>4,881,881</u>

SK HYNIX, INC.
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March 31, 2014 and 2013

6. Financial Risk Management, Continued

(In millions of won)

	Carrying amounts	2013			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term financial instruments	₩ 1,045,974	-	1,045,974	-	1,045,974
Other financial assets	272	-	272	-	272
Available-for-sale financial assets	31,966	31,966	-	-	31,966
	<u>1,078,212</u>	<u>31,966</u>	<u>1,046,246</u>	<u>-</u>	<u>1,078,212</u>
Financial assets not measured at fair value					
Cash and cash equivalents ¹	631,867	-	-	-	-
Short-term financial instruments ¹	1,108,558	-	-	-	-
Trade receivables ¹	1,941,675	-	-	-	-
Other receivables ¹	366,849	-	-	-	-
Other financial assets ¹	247,553	-	-	-	-
Available-for-sale financial assets ^{1,2}	126,804	-	-	-	-
	<u>4,423,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value					
Other financial liabilities	109,288	-	109,288	-	109,288
	<u>109,288</u>	<u>-</u>	<u>109,288</u>	<u>-</u>	<u>109,288</u>
Financial liabilities not measured at fair value					
Trade payables ¹	648,793	-	-	-	-
Other payables ¹	788,304	-	-	-	-
Other non-trade payables ¹	854,221	-	-	-	-
Borrowings	2,600,503	-	2,629,717	-	2,629,717
Debentures	1,949,712	-	2,155,463	-	2,155,463
	<u>₩ 6,841,533</u>	<u>-</u>	<u>4,785,180</u>	<u>-</u>	<u>4,785,180</u>

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

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6. Financial Risk Management, Continued

(b) Valuation Techniques

The following table presents the valuation techniques to measure the fair value of level 2 and level 3.

(In millions of won)

	Fair value	Level	Valuation technique
Short-term financial instruments			
Financial assets at fair value			
through profit or loss	₩ 1,156,355	2	Present value technique
Derivative assets			
Interest rates swap	157	2	Present value technique
Derivative liabilities			
Interest rates swap	312	2	Present value technique
Conversion option	91,222	2	Option pricing model

(c) There was no transfer between fair value hierarchy levels for the three-month period ended March 31, 2014.

7. Restricted Financial Instruments

Details of restricted financial instruments as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013	Description
Short-term financial instruments	₩ 3	8	Restricted for government grants
	22,255	23,713	Pledged for borrowings
	5,194	5,023	Pledged for consumption tax
	34,600	34,600	Restricted for support small businesses
	<u>62,052</u>	<u>63,344</u>	
Other financial assets	308	308	Pledged for borrowings
	14	14	Bank overdraft guarantee deposit
	1,431	1,419	Deposit for import duties
	4	3	Others
	<u>1,757</u>	<u>1,744</u>	
	<u>₩ 63,809</u>	<u>65,088</u>	

SK HYNIX, INC.

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8. Trade and Other Receivables

(1) Details of loans and other receivables as of March 31, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Current		
Other receivables	₩ 184,306	307,414
Accrued income	10,448	11,071
Short-term loans	2,763	2,665
Short-term guarantee deposit	443	397
Deposit	2,435	2,212
	<u>200,395</u>	<u>323,759</u>
Non-current		
Long-term other receivables	21,422	21,152
Long-term loans	6,722	6,659
Guarantee deposits	15,936	14,409
Long-term deposits	874	870
	<u>44,954</u>	<u>43,090</u>
	<u>₩ 245,349</u>	<u>366,849</u>

(2) Trade receivables and loans and other receivables, net of provision for impairment, as of March 31, 2014 and December 31, 2013, are as follows:

<i>(In millions of won)</i>	2014		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 2,329,404	(4,432)	2,324,972
Current loans and other receivables	202,442	(2,047)	200,395
Non-current loans and other receivables	57,516	(12,562)	44,954
	<u>₩ 2,589,362</u>	<u>(19,041)</u>	<u>2,570,321</u>

<i>(In millions of won)</i>	2013		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 1,945,121	(3,446)	1,941,675
Current loans and other receivables	325,821	(2,062)	323,759
Non-current loans and other receivables	55,600	(12,510)	43,090
	<u>₩ 2,326,542</u>	<u>(18,018)</u>	<u>2,308,524</u>

SK HYNIX, INC.

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8. Trade 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, 2014 and 2013, are as follows:

(in millions of won)

	2014	2013
Beginning balance	₩ 3,446	3,257
Provision for receivables impairment	1,020	-
Unused amounts reversed	-	(240)
Foreign exchange difference	(34)	(65)
Ending balance	₩ 4,432	2,952

Movements in the provision for impairment of current loans and other receivables for the three-month periods ended March 31, 2014 and 2013, are as follows:

(in millions of won)

	2014	2013
Beginning balance	₩ 2,062	5,035
Provision for receivables impairment	11	28
Receivables written off during the period as uncollectible	(26)	-
Unused amounts reversed	-	(55)
Foreign exchange difference	-	55
Ending balance	₩ 2,047	5,063

Movements in the provision for impairment of non-current loans and other receivables for the three-month periods ended March 31, 2014 and 2013, are as follows:

(in millions of won)

	2014	2013
Beginning balance	₩ 12,510	12,839
Provision for receivables impairment	18	6
Foreign exchange difference	34	48
Ending balance	₩ 12,562	12,893

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9. Inventories

Details of inventories as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

	2014		
	Acquisition cost	Inventory valuation Allowance	Carrying amount
Finished goods	₩ 503,449	(55,854)	447,595
Work-in-process	648,639	(54,944)	593,695
Raw materials	132,138	(2,537)	129,601
Supplies	62,739	(54)	62,685
Goods in transit	28,231	-	28,231
	<u>₩ 1,375,196</u>	<u>(113,389)</u>	<u>1,261,807</u>

(In millions of won)

	2013		
	Acquisition cost	Inventory valuation Allowance	Carrying amount
Finished goods	₩ 375,783	(29,911)	345,872
Work-in-process	650,450	(42,048)	608,402
Raw materials	142,727	(1,102)	141,625
Supplies	45,727	(55)	45,672
Goods in transit	36,729	-	36,729
	<u>₩ 1,251,416</u>	<u>(73,116)</u>	<u>1,178,300</u>

10. Non-current assets held for sale

Details of non-current assets held for sale as for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Beginning balance	₩ 26,557	26,958
Disposal	-	(4)
Other	339	1,032
Ending balance	<u>₩ 26,896</u>	<u>27,986</u>

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11. Other Current and Non-current Assets

Details of other current and non-current assets as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

		2014	2013
Current Assets			
Advance payments	₩	7,321	7,405
Prepaid expenses		157,869	128,125
Others		5,970	5,854
		<u>171,160</u>	<u>141,384</u>
Non-current Assets			
Long-term advance payments		3	21
Long-term prepaid expenses		366,367	346,774
Others		17,906	19,026
		<u>384,276</u>	<u>365,821</u>
	₩	<u>555,436</u>	<u>507,205</u>

12. Investments in Associates and Joint Ventures

(1) Details of investments in associates and joint ventures as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

Type	Investee	Ownership (%)	2014		2013
			Net asset value	Carrying amount	Carrying amount
Associate	Siliconfile Technologies Inc. (*)	27.93	₩ 9,390	10,354	10,962
Joint venture	HITECH Semiconductor (Wuxi) Co.,Ltd. (HITECH)	45.00	98,276	98,276	96,135
			<u>₩ 107,666</u>	<u>108,630</u>	<u>107,097</u>

(*) As of March 31, 2014, the market value of the Group's interest in the entity's publicly traded stock was ₩18,823 million (as of December 31, 2013: ₩19,791 million).

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12. Investments in Associates and Joint Ventures, Continued

(2) Changes in investments in associates and joint ventures for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014			
		<u>Beginning balance</u>	<u>Share of profit (loss)</u>	<u>Other equity movement</u>	<u>Ending balance</u>
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>

(In millions of won)

		2013			
		<u>Beginning balance</u>	<u>Share of profit</u>	<u>Other equity movement</u>	<u>Ending balance</u>
Siliconfile Technologies Inc.	₩	8,909	512	(111)	9,310
HITECH Semiconductor (Wuxi) Co.,Ltd. (HITECH)		95,191	3,102	3,792	102,085
	₩	<u>104,100</u>	<u>3,614</u>	<u>3,681</u>	<u>111,395</u>

(3) Associate and joint venture's condensed statements of financial position as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

		2014			
		<u>Current assets</u>	<u>Non-current assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>
Siliconfile Technologies Inc.	₩	46,827	13,010	21,622	4,600
HITECH Semiconductor (Wuxi) Co.,Ltd. (HITECH)		243,104	335,293	224,670	135,336
	₩	<u>289,931</u>	<u>348,303</u>	<u>246,292</u>	<u>139,936</u>

(In millions of won)

		2013			
		<u>Current assets</u>	<u>Non-current assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>
Siliconfile Technologies Inc.	₩	44,042	19,644	26,034	1,860
HITECH Semiconductor (Wuxi) Co.,Ltd. (HITECH)		213,172	353,432	182,036	170,935
	₩	<u>257,214</u>	<u>373,076</u>	<u>208,070</u>	<u>172,795</u>

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12. Investments in Associates and Joint Ventures, Continued

(4) Associate and joint venture's condensed statements of comprehensive income for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014		2013	
	Revenue	Profit (loss) for the period	Revenue	Profit for the period
Siliconfile Technologies Inc.	₩ 31,958	(1,663)	26,569	1,832
HITECH Semiconductor (Wuxi) Co.,Ltd. (HITECH)	144,832	1,894	148,291	6,894
	₩ 176,790	231	174,860	8,726

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, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Beginning balance	₩ 158,770	44,297
Acquisition	325	852
Disposal	(549)	(33)
Change in fair value	3,506	8,510
Ending balance	₩ 162,052	53,626

14. Property, Plant and Equipment

Changes in property and equipment for the three-month periods ended March 31, 2014 and 2013 are as follows:

(In millions of won)

	2014	2013
Beginning balance	₩ 12,129,797	11,586,192
Acquisition	1,584,026	637,501
Disposal	(28,200)	(8,515)
Depreciation	(774,311)	(727,004)
Impairment	(25,397)	-
Transfer(*)	1,389	-
Foreign exchange difference and other	(32,689)	110,352
Ending balance	₩ 12,854,615	11,598,526

(*) Transfer from investment property.

Certain amounts of the property, plant and equipment are pledged as collaterals for borrowings of the Group as of March 31, 2014 (Note 32).

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14. Property, Plant and Equipment, Continued

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

The book value of the machinery and others subject to finance lease agreement amounted to ₩223,178 million as of March 31, 2014 (as of December 31, 2013: ₩242,187 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, 2014 and 2013 are as follows:

(In millions of won)

	2014	2013
Beginning balance	₩ 1,110,403	983,630
Acquisition	64,887	69,513
Disposal	(3,517)	(1,684)
Amortization	(49,864)	(45,002)
Foreign exchange difference and other	3,075	10,872
Ending balance	<u>₩ 1,124,984</u>	<u>1,017,329</u>

Among costs associated with development activities, ₩34,728 million that met capitalization criteria, were capitalized as development cost for the three-month period ended March 31, 2014 (2013: ₩43,150 million). In addition, costs associated with research activities and other development expenditures that did not meet the criteria and amounted to ₩314,244 million were recognized as expenses for the three-month period ended March 31, 2014 (2013: ₩234,317 million).

16. Investment Property

Changes in investment property during the three-month periods ended March 31, 2014 and 2013 are as follows:

(In millions of won)

	2014	2013
Beginning balance	₩ 28,609	29,888
Depreciation	(311)	(320)
Transfer(*)	(1,389)	-
Ending balance	<u>₩ 26,909</u>	<u>29,568</u>

(*) Transfer to property, plant and equipment.

The depreciation expense of ₩311 million was charged to cost of sales for the three-month period ended March 31, 2014 (2013: ₩320 million).

Rental income from investment property during the three-month period ended March 31, 2014 was ₩1,134 million (2013: ₩1,167 million).

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17. Borrowings

(1) Details of borrowings as of March 31, 2014 and December 31, 2013, are as follows:

<i>(In millions of won)</i>	2014	2013
Current		
Short-term borrowings	₩ 487,303	137,979
Current maturities of debentures	199,825	-
Current maturities of long-term borrowings	808,533	732,341
	<u>1,495,661</u>	<u>870,320</u>
Non-current		
Debentures	1,252,644	1,450,777
Convertible bonds	510,428	498,935
Long-term borrowings	1,505,445	1,730,183
	<u>3,268,517</u>	<u>3,679,895</u>
	<u>₩ 4,764,178</u>	<u>4,550,215</u>

(2) Changes in borrowings during the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(In millions of won)</i>	2014	2013
Beginning balance	₩ 4,550,215	6,471,976
Borrowings	1,347,321	1,217,425
Repayments	(1,157,486)	(1,438,186)
Exercise of conversion rights	-	(252)
Other(*)	24,128	121,729
Ending balance	<u>₩ 4,764,178</u>	<u>6,372,692</u>

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

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18. Other Current and Non-current Liabilities

Details of other current and non-current liabilities as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

	<u>2014</u>	<u>2013</u>
Current		
Advance receipts	₩ 2,226	2,616
Unearned income	1,917	2,403
Withholdings	40,308	21,180
Deposits received	578	531
Others	122	110
	<u>45,151</u>	<u>26,840</u>
Non-current		
Long-term advance receipts	-	155
Long-term withholdings	788	935
Other long-term employee benefits	52,221	51,280
Others	10	-
	<u>53,019</u>	<u>52,370</u>
	<u>₩ 98,170</u>	<u>79,210</u>

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19. Provisions

(1) Details of changes in provisions for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014				
		Beginning balance	Increase	Utilization	Reversal	Ending balance
Warranty	₩	13,914	297	(5,181)	-	9,030
Sales returns		12,564	6,132	(6,906)	-	11,790
Legal claims		26,106	-	-	-	26,106
	₩	<u>52,584</u>	<u>6,429</u>	<u>(12,087)</u>	<u>-</u>	<u>46,926</u>

(In millions of won)

		2013				
		Beginning balance	Increase	Utilization and reversal	Other(*)	Ending balance
Warranty	₩	2,949	-	(1,518)	-	1,431
Sales returns		5,305	1,789	-	-	7,094
Legal claims		322,361	4,340	-	11,759	338,460
	₩	<u>330,615</u>	<u>6,129</u>	<u>(1,518)</u>	<u>11,759</u>	<u>346,985</u>

(*) Transfer to other accounts and change due to exchange rate fluctuations are included.

(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.

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20. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

		2014	2013
Present value of defined benefit obligations	₩	684,014	656,080
Fair value of plan assets		(20,005)	(20,340)
	₩	<u>664,009</u>	<u>635,740</u>

(2) Principal actuarial assumptions as of March 31, 2014 and December 31, 2013 are as follows:

	2014	2013
Discount rate for defined benefit obligations	1.11% ~ 5.85%	1.11% ~ 5.85%
Expected rate of salary increase	4.92% ~ 6.18%	4.92% ~ 6.18%

(3) Changes in defined benefit obligations for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014	2013
Beginning balance	₩	656,080	592,171
Current service cost		26,285	24,528
Interest cost		8,857	7,020
Benefits paid		(7,742)	(13,884)
Others		534	(74)
Ending balance	₩	<u>684,014</u>	<u>609,761</u>

(4) Changes in plan assets for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014	2013
Beginning balance	₩	20,340	17,075
Interest income		229	174
Benefits paid		(540)	(359)
Remeasurements		(24)	(16)
Ending balance	₩	<u>20,005</u>	<u>16,874</u>

(5) The amounts recognized in profit or loss for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

		2014	2013
Current service cost	₩	26,285	24,528
Net interest cost		8,628	6,846
	₩	<u>34,913</u>	<u>31,374</u>

20. Defined Benefit Liabilities, Continued

(6) Details of plan assets as of March 31, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014		2013	
Deposits	₩	18,335	18,485	
Other		1,670	1,855	
	₩	<u>20,005</u>	<u>20,340</u>	

Actual return on plan assets for the three-month periods ended March 31, 2014 and 2013 amounted to ₩134 million and ₩139 million, respectively.

21. Derivative Financial Instruments

(1) The Group has managed foreign exchange risk and cash-flow interest risk through interest and principal swaps, forward exchange, interest swap, currency option 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 issued by the Group. Those convertible options were measured at fair value and changes in therein were recognized in profit or loss.

(2) Details of derivative financial assets and liabilities as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Interest rates swap	₩ -	312	-	2,194
	-	312	-	2,194
Non-current				
Interest rates swap	157	-	272	245
Embedded derivative instruments	-	91,222	-	106,849
	157	91,222	272	107,094
	₩	<u>157</u>	<u>272</u>	<u>109,288</u>

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21. Derivative Financial Instruments, Continued

(3) Details of gains and losses from derivative instruments for the three-month periods ended March 31, 2014 and 2013 are follows:

(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	-	-	-
	₩	<u>15,827</u>	<u>115</u>	<u>322</u>	<u>237</u>

(In millions of won)

		2013			
		Gain on valuation	Loss on valuation	Gain on transaction	Loss on transaction
Foreign currency forward contract	₩	-	4,426	450	1,145
Interest rates swap		661	435	13	370
Embedded derivative instruments		-	21,879	-	-
	₩	<u>661</u>	<u>26,740</u>	<u>463</u>	<u>1,515</u>

22. Share Capital and Capital surplus

(1) Details of share capital and capital surplus as of March 31, 2014 and December 31, 2013, is as follows:

(In millions of won, except for share data)

		2014	2013
Authorized shares		9,000,000	9,000,000
Issued shares(*)		713,729	713,729
Share capital			
Common stock	₩	3,568,645	3,568,645
Capital surplus			
Paid-in surplus		2,888,144	2,888,144
Consideration for conversion rights		42,928	42,928
Others		475,011	475,011
	₩	<u>3,406,083</u>	<u>3,406,083</u>

(*) As of March 31, 2014, the number of shares which the shareholders own is 710,201 thousand shares, which differs from total issued shares due to the result of stock retirement.

(2) There was no change in share capital and capital surplus for the three-month period ended March 31, 2014.

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23. Accumulated Other Comprehensive Income (Loss)

(1) Details of accumulated other comprehensive income (loss) as of March 31, 2014 and December 31, 2013, are as follows:

<i>(In millions of won)</i>	2014	2013
Available-for-sale financial assets - net change in unrealized fair value	₩ 11,242	7,824
Equity-accounted investees - share of other comprehensive loss	(7,192)	(8,337)
Foreign operations - foreign currency translation differences	(129,584)	(108,294)
	₩ <u>(125,534)</u>	<u>(108,807)</u>

(2) Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(In millions of won)</i>	2014		
	Beginning	Increase (decrease)	Ending
Available-for-sale financial assets - net change in unrealized 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>

<i>(In millions of won)</i>	2013		
	Beginning	Increase (decrease)	Ending
Available-for-sale financial assets - net change in unrealized fair value	₩ 8,479	6,575	15,054
Equity-accounted investees - share of other comprehensive loss	(7,111)	3,681	(3,430)
Foreign operations - foreign currency translation differences	(116,770)	114,788	(1,982)
	₩ <u>(115,402)</u>	<u>125,044</u>	<u>9,642</u>

24. Retained Earnings

Retained earnings as of March 31, 2014 and December 31, 2013, are as follows:

<i>(In millions of won)</i>	2014	2013
Legal reserve ¹	₩ 8,854	8,854
Discretionary reserve ²	235,506	235,506
Unappropriated retained earnings	6,759,476	5,956,962
	₩ <u>7,003,836</u>	<u>6,201,322</u>

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24. Retained Earnings, Continued

¹ The Commercial Code of the Republic of Korea requires the Group 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.

25. Selling and Administrative Expenses

Selling and administrative expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Salaries	₩ 78,174	51,017
Defined benefit plan related expenses	5,422	4,579
Employee benefits	14,040	13,478
Commission expense	45,728	32,551
Depreciation	14,087	12,825
Amortization	48,933	44,756
Research and development	314,244	234,317
Exporting expense	6,116	5,525
Legal cost	2,467	4,900
Rental expense	3,089	3,893
Taxes and dues	3,466	3,120
Training expense	3,206	2,867
Sales promotional expenses	7,194	7,100
Utility expense	2,363	3,091
Freight and custody charges	3,555	2,691
Supplies	6,513	4,742
Repair expense	4,581	4,698
Other	11,824	9,817
	₩ <u>575,002</u>	<u>445,967</u>

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26. Expenses by Nature

Nature of expenses for the three-month periods ended March 31, 2014 and 2013 is as follows:

(In millions of won)

	2014	2013
Changes in finished goods and work-in-process	₩ (87,016)	(105,705)
Raw materials and consumables	573,231	563,476
Employee benefit expenses	516,096	388,856
Depreciation and amortization	823,429	771,909
Royalty expense	41,940	38,519
Commission expense	122,411	105,815
Utilities expense	154,392	157,269
Repair expense	238,110	230,274
Outsourcing expense	235,084	235,883
Other	67,747	77,900
	₩ <u>2,685,424</u>	<u>2,464,196</u>

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

27. Finance Income and Expense

Finance income and expense for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Finance income		
Interest income	₩ 16,273	12,528
Dividend income	4	1,362
Gain on disposal of available-for-sale financial assets	220	86
Foreign exchange differences	92,986	127,893
Gain from derivative instruments	16,149	1,124
Gains on valuation of financial assets at fair value through profit or loss	6,082	-
	<u>131,714</u>	<u>142,993</u>
Finance expense		
Interest expenses	(53,340)	(67,880)
Foreign exchange differences	(102,765)	(162,079)
Loss from derivative instruments	(352)	(28,255)
	<u>(156,457)</u>	<u>(258,214)</u>
Net finance costs	₩ <u>(24,743)</u>	<u>(115,221)</u>

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28. Other Income and Expenses

Other income for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Gain on disposal of property, plant and equipment	₩ 457	6,598
Gain on disposal of intangible assets	-	191
Miscellaneous	6,428	10,717
Other	-	55
	₩ <u>6,885</u>	<u>17,561</u>

Other expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Loss on disposal of property, plant and equipment	₩ 2,081	5,560
Loss on disposal of intangible assets	3,517	1,675
Loss on disposal of trade receivables	782	672
Donation	343	600
Loss on impairment of property, plant and equipment	25,397	-
Amortization of idle assets	1,057	417
Loss on disposal of assets held-for-sale	-	4
Casualty losses	28,400	-
Miscellaneous	8,659	1,398
Other	71	4,362
	₩ <u>70,307</u>	<u>14,688</u>

29. Income Tax Expense

Income tax expense is recognized based on Management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

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30. Earnings per Share

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

(1) Basic earnings per share for the three-month periods ended March 31, 2014 and 2013, are as follows:

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

	2014	2013
Profit attributable to ordinary shareholders	₩ 802,538	178,595
Weighted average number of ordinary shares outstanding(*)	710,200,891	694,165,294
Basic earnings per share	₩ 1,130	257

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

(In shares)

	2014	2013
Weighted average number of ordinary shares outstanding	710,200,891	694,155,767
Exercise of conversion rights	-	9,527
Adjusted number of ordinary shares outstanding	710,200,891	694,165,294

(2) Diluted earnings per share for the three-month periods ended March 31, 2014 and 2013, are as follows:

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

	2014	2013
Profit attributable to ordinary shareholders	₩ 802,538	178,595
Convertible bond related benefits	(570)	-
Adjusted profit attributable to ordinary shareholders	801,968	178,595
Adjusted weighted average number of ordinary shares outstanding(*)	726,638,891	694,165,294
Diluted profit per share	₩ 1,104	257

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

(In shares)

	2014	2013
Weighted average number of ordinary shares outstanding	710,200,891	694,165,294
Convertible bond	16,438,000	-
Adjusted weighted average number of ordinary shares outstanding	726,638,891	694,165,294

31. Related Party Transactions

(1) Details of associates, joint ventures and other related parties as of March 31, 2014, are as follows:

Type	Investee
Subsidiaries	SKHYA and other 20 entities
Associate	Siliconfile Technologies Inc.
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)
Other related parties	SK Telecom Co., Ltd., which has significant influence over the Group, SK Holdings Co., Ltd., which have control over SK Telecom Co., Ltd., SK C&C Company Ltd., which are controlled by the same key management personnel of the Group, and their subsidiaries

(2) Significant transactions for the three-month periods March 31, 2014 and 2013, are as follows:

(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.	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	
		₩ <u>40,642</u>	<u>223,527</u>	<u>142,331</u>

(*) The Group entered into a contract with SK Holdings Co., Ltd. under which the Group shall pay royalty on the SK brand in proportion to sales amount from March 2012 to December 2014. For the three-month period ended March 31, 2014, royalty on the use of the SK brand amounted to ₩5,221 million (the three-month period ended March 31, 2013: ₩2,770 million).

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31. Related Party Transactions, Continued

(In millions of won)

		2013		
Company		Operating revenue and others	Operating expense and others	Asset acquisition
Associate	Siliconfile Technologies Inc.	₩ 20,485	325	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	15,002	152,505	-
Other related parties	SK Telecom Co., Ltd.	17	882	-
	SK Holdings Co., Ltd.	-	2,770	-
	SK C&C Co., Ltd.	37	3,488	1,793
	SK Engineering & Construction Co., Ltd.	-	-	3,020
	SK Energy Co., Ltd.	9,106	-	-
	SK Networks Co., Ltd.	-	155	-
	Ko-one energy service Co., Ltd.	-	18,651	-
	SKC solmics Co., Ltd.	-	5,731	16
	Chungcheong energy service Co., Ltd.	-	11,727	-
	HAPPYNARAE Co., Ltd.	28	12,836	456
Others	41	824	-	
		₩ 44,716	209,894	5,285

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31. Related Party Transactions, Continued

(3) The balances of significant transactions as of March 31, 2014 and December 31, 2013, are as follows:

(In millions of won)

		2014			
		Trade	Other		
		receivables	payables and	Borrowings	
Company		and others	others		
Associate	Siliconfile Technologies Inc.	₩ 17,036	-	-	
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	8,756	93,913	82,410	
Other related parties	SK Telecom Co., Ltd.	-	967	-	
	SK Holdings Co., Ltd.	-	2,363	-	
	SK C&C Co., Ltd.	49	31,142	-	
	SK Engineering & Construction Co., Ltd.	185	174,669	-	
	SK Energy Co., Ltd.	464	4,320	-	
	SK Networks Co., Ltd.	-	99	-	
	Ko-one energy service Co., Ltd.	-	-	-	
	SKC solmics Co., Ltd.	-	4,318	-	
	Chungcheong energy service Co., Ltd.	-	2,444	-	
	HAPPYNARAE Co., Ltd.	5	10,291	-	
	Others	2	2,250	-	
		₩	26,497	326,776	82,410

(In millions of won)

		2013		
		Trade	Other	
		receivables	payables and	Borrowings
Company		and others	others	
Associate	Siliconfile Technologies Inc.	₩ 18,102	-	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	11,356	2,828	101,093
Other related parties	SK Telecom Co., Ltd.	-	419	-
	SK Holdings Co., Ltd.	-	2,332	-
	SK C&C Co., Ltd.	11	25,388	-
	SK Engineering & Construction Co., Ltd.	234	82,238	-
	SK Energy Co., Ltd.	76	5,802	-
	SK Networks Co., Ltd.	-	78	-
	SKC solmics Co., Ltd.	-	3,116	-
	Chungcheong energy service Co., Ltd.	-	3,102	-
	HAPPYNARAE Co., Ltd.	22	13,670	-
	Others	-	1,579	-
		₩	29,801	140,552

31. Related Party Transactions, Continued

(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, 2014 and 2013, are as follows:

(In millions of won)

Details	2014	2013
Salaries	₩ 22,200	5,836
Defined benefit plan related expenses	1,399	800
Others	5	1
	₩ 23,604	6,637

32. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of March 31, 2014 are as follows:

(a) Lawsuits from SanDisk Corporation ("SanDisk") and Toshiba Corporation ("Toshiba")

Toshiba filed a lawsuit against the Parent Company in Tokyo District Court, alleging misappropriation of trade secrets, on March 13, 2014 ("Toshiba lawsuit"). As of March 31, 2014, Toshiba's petition has not been delivered to the Parent Company.

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 and SanDisk's petition has been delivered to the Parent Company. As of March 31, 2014, the SanDisk lawsuit was at an early stage and Santa Clara Superior Court suspended the litigation process until July 18, 2014 due to the complexity of the cases.

As of March 31, 2014, the final outcome of these matters cannot be determined, but could have a material effect on the Group's consolidated financial statements.

(b) Other patent infringement claims and litigation

Apart from the above litigation, the Group is involved in various alleged patent infringement claims and litigation. The Group recognizes a liability for the expected future losses that are probable and can be reliably estimated. However, 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.

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32. Commitments and Contingencies, Continued

(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 for the five years from its establishment. In 2011, the Parent Company entered into an additional contract for the purpose of module 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.

(5) The Parent Company entered into a comprehensive share exchange and transfer agreement to acquire all remaining shares of Silicon File Technologies Inc. on January 28, 2014. The Parent Company issued 0.2232438 common share of the Parent Company per a common share of Siliconfile Technologies Inc. on April 22, 2014.

(6) Assets provided as collateral

Details of assets provided as collateral as of March 31, 2014, are as follows:

<i>(In millions of won)</i>	Book value	Pledged amount	Remark
Land	₩ 25,030		Syndicated loan, collateralized borrowings, revolving credit facility and financial guarantee contracts of Cheongju manufacturing facilities
Buildings	76,168	1,414,054	
Machinery	1,255,663		
	₩ 1,356,861	1,414,054	

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 finance lease contracts.

(7) Financing agreements

Details of credit lines with financial institutions as of March 31, 2014, are as follows:

(In millions of won and millions of foreign currencies)

	Financial Institution	Commitment	Currency	Amount
The Parent Company	Korea Exchange Bank and others	Import finance including usance	USD	445
		Export finance including bills bought	USD	370
	Comprehensive limit contract for import and export	USD	1,200	
	Export trade receivables discount agreement(*)	USD	90	
	Trade receivables discount agreement	KRW	250,000	
SK Hynix Semiconductor (China) Ltd. (SKHYCL)	Agricultural Bank of China and others	Import finance including usance	RMB	1,300
			EUR	56
SK Hynix America Inc. (SKHYA) and other sales entities	Citibank and others	Accounts receivable factoring contracts which have no right to recourse	USD	1,320
			USD	767

(*) Trade receivables of the customers pre-approved by the financial institutions are only entitled to discount.

32. Commitments and Contingencies, Continued

The Group has entered into trade receivables discounting agreements with several financial institutions. There are outstanding trade receivables discounted corresponding to ₩165,674 million as of March 31, 2014 (as of December 31, 2013: nil). 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.

(8) Details of guarantees provided to others as of March 31, 2014, are as follows:

<i>(In millions of won)</i>	Amount	Remark
Employees	₩ 28	Guarantees for employees' borrowings relating to employee stock ownership

(9) Capital commitments

As of March 31, 2014, the Group has ₩471,474 million (as of December 31, 2013: ₩385,106 million) of commitments in relation to the capital expenditures on fixed assets.

SK HYNIX, INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014 and 2013

33. Cash Generated from Operations

Reconciliations between operating profit and net cash inflow from operating activities for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Profit for the period	₩ 802,254	178,713
Adjustment		
Income tax expense	167,235	29,504
Defined benefit plan related expenses	34,913	31,374
Depreciation	774,311	727,004
Depreciation of investment properties	311	320
Amortization	49,864	45,002
Loss on foreign currency translation	43,412	111,265
Loss on impairment of property, plant and equipment	25,397	-
Interest expense	53,340	67,880
Gain on foreign currency translation	(17,427)	(50,390)
Interest income	(16,273)	(12,528)
Loss (gain) on derivative instruments, net	(15,797)	27,131
Gain on equity method investments, net	(388)	(3,614)
Others, net	864	(590)
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(322,342)	3,285
Decrease (increase) in other receivables	82,508	(39,569)
Increase in inventories	(85,586)	(64,992)
Increase (decrease) in trade payables	34,426	(12,883)
Increase (decrease) in other payables	(70,819)	9,115
Decrease in other non-trade payables	(266,412)	(55,853)
Increase (decrease) in provisions	(5,529)	4,586
Payment of defined benefit liabilities	(7,202)	(13,525)
Others	(32,776)	8,821
Cash generated from operations	₩ <u>1,228,284</u>	<u>990,056</u>

Details of significant transaction without inflows and outflows of cash for the three-month periods ended March 31, 2014 and 2013, are as follows:

(In millions of won)

	2014	2013
Other payables related to acquisition of property, plant and equipment	₩ 350,795	137,488