

SK hynix Inc. and Subsidiaries

Consolidated Interim Financial Statements
June 30, 2020

SK hynix Inc. and Subsidiaries

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June 30, 2020 and 2019

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Report on Review of Consolidated Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
SK hynix Inc.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of SK hynix Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at June 30, 2020, and the related consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2020, and consolidated interim statement of changes in equity and cash flows for the six-month period ended June 30, 2020, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

We conducted our review in accordance with quarterly or semi-annual review standards 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 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 review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matters

Users need to pay attention to Note 3, which does not affect our review opinion, on the consolidated interim financial statements. Note 3 on the consolidated interim financial statements describes the uncertainties associated with the impact of COVID-19 (Coronavirus) on the Group's operations, including market demands and the Group's production capacity. These matters do not affect our conclusion.

Other Matters

The consolidated statements of comprehensive income, for the three-month and six-month periods ended June 30, 2019, and consolidated interim statements of changes in equity and cash flows for the six-month period ended June 30, 2019, presented herein for comparative purposes, were reviewed by another auditor whose report dated August 12, 2019. Based on their review, nothing has come to their attention that causes them to believe the accompanying consolidated interim financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by another auditor who expressed an unqualified opinion on those statements, not presented herein, on February 25, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
August 13, 2020

This report is effective as of August 13, 2020, 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 consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

(In millions of Korean won)

	<u>Notes</u>	<u>June 30, 2020 (Unaudited)</u>	<u>December 31, 2019</u>
Assets			
Current assets			
Cash and cash equivalents	5,6	₩ 3,918,249	₩ 2,306,070
Short-term financial instruments	5,6,7	449,367	298,350
Short-term investment assets	5,6	897,052	1,390,293
Trade receivables, net	5,6,8,32	5,608,420	4,261,674
Loans and other receivables, net	5,6,8,32	74,298	23,508
Inventories, net	9	5,814,139	5,295,835
Current tax assets		5,560	199,805
Other financial assets	5	30	30
Other current assets	10,32,33	595,710	682,037
		<u>17,362,825</u>	<u>14,457,602</u>
Non-current assets			
Investments in associates and joint ventures	11	1,041,892	768,767
Long-term trade receivables, net	5,6,8	46,434	44,775
Long-term investment assets	5,6,12	4,620,663	4,381,812
Loans and other receivables, net	5,6,8,32	60,111	109,079
Other financial assets	5,6,7,21	30,755	901
Property, plant and equipment, net	13,33	40,514,288	39,949,940
Right-of-use assets, net	14,32	1,207,316	1,250,576
Intangible assets, net	15	3,625,550	2,571,049
Investment property, net	16	253	258
Deferred tax assets		719,469	670,866
Employee benefit assets	20	658	3,406
Other non-current assets	10,32,33	29,083	580,463
		<u>51,896,472</u>	<u>50,331,892</u>
Total assets		<u>₩ 69,259,297</u>	<u>₩ 64,789,494</u>

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Financial Position, Continued
June 30, 2020 and December 31, 2019

(In millions of Korean won)

	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	5,6,32	₩ 1,127,674	₩ 1,042,542
Other payables	5,6,32	2,016,304	2,367,673
Other non-trade payables	5,6,32	1,251,478	1,257,895
Borrowings	5,6,17,33,34	4,100,805	2,737,770
Provisions	19	18,818	10,701
Current tax liabilities		696,103	89,217
Lease liabilities	5,14,32	211,180	205,238
Other current liabilities	18,32	173,110	162,997
		<u>9,595,472</u>	<u>7,874,033</u>
Non-current liabilities			
Long-term other payables	5,6,32	339,724	-
Other non-trade payables	5,6,32	5,119	18,266
Borrowings	5,6,17,33,34	8,589,378	7,785,736
Defined benefit liabilities, net	20	209,420	53,624
Deferred tax liabilities		57,313	15,743
Lease liabilities	5,14,32	954,305	995,592
Other financial liabilities	5,21	15,920	15,532
Other non-current liabilities	18	89,770	87,773
		<u>10,260,949</u>	<u>8,972,266</u>
Total liabilities		<u>19,856,421</u>	<u>16,846,299</u>
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	22	3,657,652	3,657,652
Capital surplus	22	4,143,736	4,143,736
Other equity	22,35	(2,503,931)	(2,504,713)
Accumulated other comprehensive loss	23	(63,128)	(298,935)
Retained earnings	24	44,148,533	42,930,675
Total equity attributable to owners of the Parent Company		<u>49,382,862</u>	<u>47,928,415</u>
Non-controlling interests		<u>20,014</u>	<u>14,780</u>
Total equity		<u>49,402,876</u>	<u>47,943,195</u>
Total liabilities and equity		<u>₩ 69,259,297</u>	<u>₩ 64,789,494</u>

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
Three-month and Six-month Periods Ended June 30, 2020 and 2019

(In millions of Korean won, except per share information)

	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
Revenue	4,25,32	₩ 8,606,534	₩ 15,805,426	₩ 6,452,201	₩ 13,224,856
Cost of sales	27,32	5,262,329	10,269,148	4,435,389	8,527,844
Gross profit		3,344,205	5,536,278	2,016,812	4,697,012
Selling and administrative expense	26,27,32	1,397,490	2,789,262	1,379,182	2,692,892
Operating profit		1,946,715	2,747,016	637,630	2,004,120
Finance income	28	111,935	792,681	530,061	888,407
Finance expenses	28	273,946	828,734	476,798	724,653
Share of profit of equity-accounted investees	11	8,278	16,179	5,627	10,053
Other income	29,32	19,815	38,063	24,692	49,382
Other expenses	29,32	85,816	109,691	45,198	71,748
Profit before income tax		1,726,981	2,655,514	676,014	2,155,561
Income tax expense	30	462,721	742,204	138,989	516,406
Profit for the period		₩ 1,264,260	₩ 1,913,310	₩ 537,025	₩ 1,639,155
Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liabilities, net of tax	20	(4,544)	(9,184)	(5,401)	(11,312)
Items that may be subsequently reclassified to profit or loss:					
Foreign operations – foreign currency translation differences, net of tax	23	(93,204)	227,260	(1,323)	224,221
Gain and loss on valuation of derivatives, net of tax	23	7,734	(12,808)	-	-
Equity-accounted investees – share of other comprehensive income, net of tax	11,23	(21,550)	22,268	11,291	28,889
Other comprehensive income (loss) for the period, net of tax		(111,564)	227,536	4,567	241,798
Total comprehensive income for the period		₩ 1,152,696	₩ 2,140,846	₩ 541,592	₩ 1,880,953
Profit attributable to:					
Owners of the Parent Company		₩ 1,262,890	₩ 1,911,044	₩ 535,529	₩ 1,638,282
Non-controlling interests		1,370	2,266	1,496	873
Total comprehensive income attributable to:					
Owners of the Parent Company		₩ 1,151,451	₩ 2,137,667	₩ 539,925	₩ 1,879,727
Non-controlling interests		1,245	3,179	1,667	1,226
Earnings per share					
Basic earnings per share (in Korean won)	31	₩ 1,846	₩ 2,794	₩ 783	₩ 2,395
Diluted earnings per share (in Korean won)		₩ 1,846	₩ 2,793	₩ 783	₩ 2,395

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Changes in Equity
Six-month Periods Ended June 30, 2020 and 2019

Attributable to owners of the Parent Company

(In millions of Korean won)

	Notes	Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non- controlling interests	Total equity
Balance at January 1, 2019		₩ 3,657,652	₩ 4,143,736	₩ (2,506,451)	₩ (482,819)	₩ 42,033,601	₩ 46,845,719	₩ 6,612	₩ 46,852,331
Comprehensive income:									
Profit for the period		-	-	-	-	1,638,282	1,638,282	873	1,639,155
Remeasurements of defined benefit liabilities, net of tax	20	-	-	-	-	(11,312)	(11,312)	-	(11,312)
Other comprehensive income of associates, net of tax	11,23	-	-	-	28,889	-	28,889	-	28,889
Foreign currency translation differences for foreign operations, net of tax	23	-	-	-	223,868	-	223,868	353	224,221
Total comprehensive income for the period		-	-	-	252,757	1,626,970	1,879,727	1,226	1,880,953
Transactions with owners of the Parent Company:									
Increase of non-controlling interests		-	-	-	-	-	-	2,718	2,718
Dividends paid		-	-	-	-	(1,026,003)	(1,026,003)	-	(1,026,003)
Share-based payments	35	-	-	788	-	-	788	-	788
Total transactions with owners of the Parent Company		-	-	788	-	(1,026,003)	(1,025,215)	2,718	(1,022,497)
Balance at June 30, 2019 (Unaudited)		₩ 3,657,652	₩ 4,143,736	₩ (2,505,663)	₩ (230,062)	₩ 42,634,568	₩ 47,700,231	₩ 10,556	₩ 47,710,787

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Changes in Equity, Continued
Six-month Periods Ended June 30, 2020 and 2019

Attributable to owners of the Parent Company

(In millions of Korean won)

	Notes	Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2020		₩ 3,657,652	₩ 4,143,736	₩ (2,504,713)	₩ (298,935)	₩ 42,930,675	₩ 47,928,415	₩ 14,780	₩ 47,943,195
Comprehensive income:									
Profit for the period		-	-	-	-	1,911,044	1,911,044	2,266	1,913,310
Remeasurements of defined benefit liabilities, net of tax	20	-	-	-	-	(9,184)	(9,184)	-	(9,184)
Other comprehensive income of associate, net of tax	11,23	-	-	-	22,268	-	22,268	-	22,268
Loss on valuation of derivatives	23	-	-	-	(12,808)	-	(12,808)	-	(12,808)
Foreign currency translation differences for foreign operations, net of tax	23	-	-	-	226,347	-	226,347	913	227,260
Total comprehensive income for the period		-	-	-	235,807	1,901,860	2,137,667	3,179	2,140,846
Transactions with owners of the Parent Company:									
Increase of non-controlling interests		-	-	-	-	-	-	2,055	2,055
Dividends paid	24	-	-	-	-	(684,002)	(684,002)	-	(684,002)
Share-based payments	35	-	-	782	-	-	782	-	782
Total transactions with owners of the Parent Company		-	-	782	-	(684,002)	(683,220)	2,055	(681,165)
Balance at June 30, 2020 (Unaudited)		₩ 3,657,652	₩ 4,143,736	₩ (2,503,931)	₩ (63,128)	₩ 44,148,533	₩ 49,382,862	₩ 20,014	₩ 49,402,876

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying note.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Cash Flows
Six-month Periods Ended June 30, 2020 and 2019

(In millions of Korean won)

	<u>Notes</u>	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	34	₩ 5,776,760	₩ 6,015,232
Interest received		9,431	18,235
Interest paid		(161,668)	(93,743)
Dividends received		599	14,540
Income tax refund (paid)		60,907	(4,551,703)
Net cash inflow from operating activities		<u>5,686,029</u>	<u>1,402,561</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		166,284	709,120
Increase in short-term financial instruments		(317,838)	(596,371)
Decrease in short-term investment assets, net		513,000	3,972,812
Decrease in loans and other receivables		19,127	6,296
Increase in loans and other receivables		(29,624)	(38,850)
Acquisitions of investments in associates		(209,700)	(116,001)
Proceeds from disposal of long-term investment assets		295	480
Acquisitions of long-term investment assets		(50,584)	(39,196)
Decrease in other financial assets		604	-
Increase in other financial assets		(206)	(6)
Proceeds from disposal of property, plant and equipment		34,649	45,319
Acquisitions of property, plant and equipment		(5,000,340)	(8,497,372)
Proceeds from disposal of intangible assets		299	183
Acquisitions of intangible assets		(320,235)	(329,897)
Net cash outflow from investing activities		<u>(5,194,269)</u>	<u>(4,883,483)</u>
Cash flows from financing activities			
Proceeds from borrowings	34	3,930,315	5,864,012
Repayments of borrowings	34	(2,001,696)	(2,462,930)
Dividends paid		(684,002)	(1,026,003)
Repayments of lease liabilities	34	(108,250)	(136,032)
Increase of non-controlling interests		2,055	2,718
Net cash inflow from financing activities		<u>1,138,422</u>	<u>2,241,765</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(18,003)</u>	<u>18,613</u>
Net increase (decrease) in cash and cash equivalents		1,612,179	(1,220,544)
Cash and cash equivalents at the beginning of the period		2,306,070	2,349,319
Cash and cash equivalents at the end of the period		<u>₩ 3,918,249</u>	<u>₩ 1,128,775</u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information

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

The Parent Company manufactures, distributes and sells 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 June 30, 2020, the shareholders of the Parent Company are as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
SK Telecom Co., Ltd.	146,100,000	20.07
National Pension Service	84,438,825	11.60
Other investors	453,462,970	62.29
Treasury shares	44,000,570	6.04
	<u>728,002,365</u>	<u>100.00</u>

The Parent Company’s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange and the Luxembourg Stock Exchange, respectively.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of June 30, 2020 and December 31, 2019 are as follows:

Company	Location	Business	Ownership (%)	
			2020	2019
SK hyeng Inc.	Korea	Construction service	100.00	100.00
SK hystec Inc.	Korea	Business support service	100.00	100.00
HappyNarae Inc.	Korea	Manufacturing cleanroom suits and cleaning	100.00	100.00
SK hynix system ic Inc.	Korea	Semiconductor manufacturing and sales	100.00	100.00
HappyNarae Co., Ltd.	Korea	Industrial material supply	100.00	100.00
SK hynix America Inc.	U.S.A.	Semiconductor sales	97.74	97.74
SK hynix Deutschland GmbH	Germany	Semiconductor sales	100.00	100.00
SK hynix Asia Pte. Ltd.	Singapore	Semiconductor sales	100.00	100.00
SK hynix Semiconductor Hong Kong Ltd.	Hong Kong	Semiconductor sales	100.00	100.00
SK hynix U.K. Ltd.	U.K.	Semiconductor sales	100.00	100.00
SK hynix Semiconductor Taiwan Inc.	Taiwan	Semiconductor sales	100.00	100.00
SK hynix Japan Inc.	Japan	Semiconductor sales	100.00	100.00
SK hynix Semiconductor (Shanghai) Co., Ltd.	China	Semiconductor sales	100.00	100.00
SK hynix Semiconductor India Private Ltd. ¹	India	Semiconductor sales	100.00	100.00
SK hynix (Wuxi) Semiconductor Sales Ltd.	China	Semiconductor sales	100.00	100.00
SK hynix Semiconductor (China) Ltd.	China	Semiconductor manufacturing	100.00	100.00
SK hynix Semiconductor (Chongqing) Ltd. ²	China	Semiconductor manufacturing	100.00	100.00
SK hynix Italy S.r.l	Italy	Semiconductor research and development	100.00	100.00
SK hynix memory solutions America Inc.	U.S.A.	Semiconductor research and development	100.00	100.00
SK hynix memory solutions Taiwan Ltd.	Taiwan	Semiconductor research and development	100.00	100.00
SK hynix memory solutions Eastern Europe LLC.	Belarus	Semiconductor research and development	100.00	100.00
SK APTECH Ltd.	Hong Kong	Overseas investment	100.00	100.00
SK hynix Ventures Hong Kong Limited	Hong Kong	Overseas investment	100.00	100.00
SK hynix (Wuxi) Investment Ltd. ³	China	Overseas investment	100.00	100.00
SK hynix (Wuxi) Industry Development Ltd. ⁴	China	Foreign hospital construction	100.00	100.00
SK hynix Happiness (Wuxi) Hospital Management Ltd. ⁴	China	Foreign hospital operation	70.00	70.00
SK hynix system ic (Wuxi) Co., Ltd. ⁵	China	Overseas Semiconductor manufacturing and sales	100.00	100.00
SK hynix cleaning (Wuxi) Ltd. ⁴	China	Building maintenance	100.00	100.00
SUZHOU HAPPYNARAE Co., Ltd. ⁶	China	Overseas industrial material supply	100.00	100.00
CHONGQING HAPPYNARAE Co., Ltd. ⁷	China	Overseas industrial material supply	100.00	100.00
SkyHigh Memory Limited ⁵	Hong Kong	Overseas Semiconductor manufacturing and sales	60.00	60.00
SK hynix (Wuxi) Education Technology Co.,Ltd. ⁴	China	Education	100.00	100.00
MMT (Money Market Trust)	Korea	Money Market Trust	100.00	100.00

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of June 30, 2020 and December 31, 2019 are as follows, continued:

- ¹ Subsidiary of SK hynix Asia Pte. Ltd.
- ² Subsidiary of SK APTECH Ltd.
- ³ Subsidiary of SK hynix Semiconductor (China) Ltd.
- ⁴ Subsidiary of SK hynix (Wuxi) Investment Ltd.
- ⁵ Subsidiary of SK hynix system ic
- ⁶ Subsidiary of HappyNarae Co., Ltd.
- ⁷ Subsidiary of SUZHOU HAPPYNARAE Co., Ltd.

(3) The subsidiaries in consolidation as of June 30, 2020 are the same as those as of December 31, 2019.

(4) Major subsidiaries' summarized statements of financial position as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020			December 31, 2019		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
<i>(In millions of Korean won)</i>						
SK hynix system ic Inc.	₩ 898,639	₩ 312,969	₩ 585,670	₩ 666,171	₩ 130,880	₩ 535,291
SK hynix America Inc.	2,816,562	2,373,426	443,136	1,801,366	1,436,975	364,391
SK hynix Asia Pte. Ltd.	464,841	373,605	91,236	387,860	298,657	89,203
SK hynix Semiconductor Hong Kong Ltd.	241,347	79,200	162,147	195,262	44,405	150,857
SK hynix U.K. Ltd.	276,404	254,342	22,062	217,160	197,293	19,867
SK hynix Semiconductor Taiwan Inc.	356,876	333,750	23,126	247,671	219,056	28,615
SK hynix Japan Inc.	276,057	201,386	74,671	305,770	235,243	70,527
SK hynix (Wuxi) Semiconductor Sales Ltd.	1,959,621	1,782,870	176,751	1,646,998	1,510,156	136,842
SK hynix Semiconductor (China) Ltd.	11,344,292	6,595,061	4,749,231	9,605,890	4,937,517	4,668,373
SK hynix Semiconductor (Chongqing) Ltd.	833,748	267,001	566,747	837,339	309,283	528,056
HappyNarae Co., Ltd.	150,167	98,607	51,560	186,079	136,257	49,822

1. General Information, Continued

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited) and December 31, 2019

(5) Major subsidiaries' summarized statements of comprehensive income (loss) for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020			2019		
	Revenue	Profit (loss)	Total comprehensive income (loss)	Revenue	Profit (loss)	Total comprehensive income (loss)
SK hynix system ic Inc.	₩ 348,494	₩ 53,281	₩ 53,207	₩ 314,533	₩ 28,962	₩ 28,938
SK hynix America Inc.	5,874,813	65,591	65,591	3,986,994	8,933	8,933
SK hynix Asia Pte. Ltd.	918,520	(1,259)	(1,259)	846,356	3,559	3,559
SK hynix Semiconductor Hong Kong Ltd.	889,486	4,957	4,957	828,644	(244)	(244)
SK hynix U.K. Ltd.	489,520	1,467	1,467	515,719	7,695	7,695
SK hynix Semiconductor Taiwan Inc.	975,526	717	717	676,328	213	213
SK hynix Japan Inc.	223,184	657	657	341,477	(2,227)	(2,227)
SK hynix (Wuxi) Semiconductor Sales Ltd.	5,596,547	37,051	37,051	5,355,115	49,493	49,493
SK hynix Semiconductor (China) Ltd.	1,927,250	(27,772)	(27,772)	1,508,963	18,433	18,433
SK hynix Semiconductor (Chongqing) Ltd.	306,415	26,472	26,472	195,188	16,983	16,983
HappyNarae Co., Ltd.	484,331	1,738	1,738	507,146	(1,994)	(1,994)

(6) There are no significant non-controlling interests to the Group as of June 30, 2020 and December 31, 2019.

SK hynix Inc. and Subsidiaries

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June 30, 2020 and 2019 (Unaudited) and December 31, 2019

2. Summary of Significant Accounting Policies

2.1 Basis of Financial Statements preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's consolidated interim financial statements for the six-month period ended June 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of June 30, 2020.

2.1.1 New and amended standards or interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

① Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors* – *Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the consolidated financial statements.

② Amendments to Korean IFRS 1103 *Business Combination* – *Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the consolidated financial statements.

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2. Summary of Significant Accounting Policies, Continued

③ Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated financial statements.

2.1.2 New and amended standards or interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for June 30, 2020 reporting periods and have not been early adopted by the Group.

① Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated annual financial statements for the year ended December 31, 2019, except for the changes due to the application of amendments and enactments of standards described in Note 2.1.1 and as described below.

2.2.1 Income tax expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual effective income tax rate is applied to the pre-tax income.

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2.2.2 Lease

From January 1, 2020, the Group has changed its accounting policy by adopting accounting treatments in accordance with agenda decisions for *Lease Term and Useful Life of Leasehold Improvements* issued by IFRS Interpretations Committee on December 16, 2019. The Group determines the lease term as the enforceable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

The Group is assessing the impact of changes in accounting policy on the financial statements for the enforceable period according to the decision and will reflect the effects in the consolidated financial statements once the assessment is completed.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

During 2020, the spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on domestic and global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group, which could continue in its consolidated annual financial statements of 2020.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group’s business, financial position and financial performance cannot presently be determined.

Significant accounting estimates and assumptions applied in the preparation of these consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2019, except for the estimates used to determine income tax expense.

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4. Operating Segment Information

The Group has a single reportable segment that is engaged in the manufacture and sale of semiconductor products. Management of the Group reviews the operational results of the semiconductor business with the reporting information which is prepared in the same manner as management reviews during the establishment of the Group's business strategy.

(1) The Group's non-current assets (excluding long-term trade receivables, financial assets, loans and other receivables, investment in associates and joint ventures and deferred tax assets) information by region based on the location of the Parent Company and its subsidiaries as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Korea	₩ 35,457,994	₩ 35,109,665
China	9,482,150	8,814,465
Asia (other than China)	21,779	21,497
U.S.A.	400,196	395,772
Europe	15,028	14,293
	<u>₩ 45,377,147</u>	<u>₩ 44,355,692</u>

(2) For the six-month period ended June 30, 2020, revenue of ₩2,348,379 million, ₩1,742,077 million and ₩1,651,698 million, over 10% of the Group's revenue, are derived from external customers A, B and C, respectively and for the six-month period ended June 30, 2019, revenues of ₩2,632,931 million and ₩1,652,731 million, over 10% of the Group's revenue, are derived from a single external customer A and C, respectively

SK hynix Inc. and Subsidiaries
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5. Carrying Amounts of Financial Instruments by Categories

(1) Carrying amounts of financial assets by categories as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income or loss	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ -	₩ 3,918,249	₩ 3,918,249
Short-term financial instruments	227,500	-	221,867	449,367
Short-term investment assets	897,052	-	-	897,052
Trade receivables ¹	-	624,805	5,030,049	5,654,854
Loans and other receivables	-	-	134,409	134,409
Other financial assets	30,228	-	557	30,785
Long-term investment assets	4,620,663	-	-	4,620,663
	<u>₩ 5,775,443</u>	<u>₩ 624,805</u>	<u>₩ 9,305,131</u>	<u>₩ 15,705,379</u>

¹ The Group transferred certain portion of trade receivables, which are from specific customers, and derecognized the trade receivables from the financial statements as substantially all the risks and rewards are transferred. Accordingly, the Group recognized gain or loss on disposal of trade receivables.

(In millions of Korean won)

	December 31, 2019		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ 2,306,070	₩ 2,306,070
Short-term financial instruments	-	298,350	298,350
Short-term investment assets	1,390,293	-	1,390,293
Trade receivables	-	4,306,449	4,306,449
Loans and other receivables	-	132,587	132,587
Other financial assets	-	931	931
Long-term investment assets	4,381,812	-	4,381,812
	<u>₩ 5,772,105</u>	<u>₩ 7,044,387</u>	<u>₩ 12,816,492</u>

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5. Carrying Amounts of Financial Instruments by Categories, Continued

(2) Carrying amounts of financial liabilities by categories as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Trade payables	₩ -	₩ 1,127,674	₩ 1,127,674
Other payables	6,988	2,349,040	2,356,028
Other non-trade payables ¹	-	1,256,597	1,256,597
Borrowings	-	12,690,183	12,690,183
Other financial liabilities	15,920	-	15,920
Lease liabilities	-	1,165,485	1,165,485
	<u>₩ 22,908</u>	<u>₩ 18,588,979</u>	<u>₩ 18,611,887</u>

(In millions of Korean won)

	December 31, 2019		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Trade payables	₩ -	₩ 1,042,542	₩ 1,042,542
Other payables	13,006	2,354,667	2,367,673
Other non-trade payables ¹	-	1,276,161	1,276,161
Borrowings	-	10,523,506	10,523,506
Other financial liabilities	15,532	-	15,532
Lease liabilities	-	1,200,830	1,200,830
	<u>₩ 28,538</u>	<u>₩ 16,397,706</u>	<u>₩ 16,426,244</u>

¹ Details of other non-trade payables as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Current		
Accrued expenses	₩ 1,251,478	₩ 1,257,895
Non-current		
Long-term accrued expenses	2,791	4,779
Rent deposit payables	2,328	13,487
	<u>₩ 1,256,597</u>	<u>₩ 1,276,161</u>

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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 consolidated interim financial statements do not include all the financial risk management policies and disclosures that are required in the consolidated annual financial statements; therefore, see the consolidated annual financial statements for full disclosure. There were no significant changes in risk management department and risk management policies subsequent to December 31, 2019.

(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, Japanese yen, Chinese yuan and Euro. Foreign exchange risk arises from future commercial transactions; recognized assets and liabilities in foreign currencies; and net investments in foreign operations.

Monetary foreign currency assets and liabilities as of June 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	10,463	₩ 12,562,467	10,534	₩ 12,647,792
JPY	471	5,255	122,203	1,363,845
CNY	284	48,268	1	87
EUR	10	13,453	200	269,779

When the exchange rate of the functional currency for each foreign currency fluctuates by 10% as of June 30, 2020, the impact of the change in the exchange rate on profit before income tax expenses are as follows:

(In millions of Korean won)

		<u>If increased by 10%</u>	<u>If decreased by 10%</u>
USD	₩	110,831	₩ (110,831)
JPY		(135,859)	135,859
CNY		4,818	(4,818)
EUR		(25,633)	25,633

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6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(a) Market risk, Continued

(ii) Interest rate risk

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

The Group is managing cash flow interest rate risk using floating-to-fixed cross currency interest rate swaps. These interest rate swaps have an economic effect of converting floating interest borrowings into fixed interest borrowings. Generally, the Group borrows at a floating interest rate and then swaps at a fixed rate. Under the swap agreement, the Group will settle the difference between fixed interest costs and the floating interest costs calculated according to the principal agreed upon for each counterparty and specific period (mainly quarterly).

The Group is partially exposed to the risk of changing net interest costs due to changes in interest rates as of June 30, 2020. The Group has signed a currency interest rate swap contract on floating interest rate borrowings of ₩600,350 million. Therefore, the changes in interest costs subject to fluctuation of interest rates do not have an impact on the profit before income tax for the six-month period ended June 30, 2020.

As of June 30, 2020, 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 six-month period would have been ₩31,201 million(2019: ₩25,067 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and interest income on floating rate financial assets.

(iii) Price risk

The Group invests in equity and debt securities resulted from its business needs and the purpose of liquidity management. The Group's equity and debt securities are exposed to price risk as of June 30, 2020.

(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 is continuously managing 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 credit insurance policies to manage credit risk exposure from oversea customers. The maximum exposure to credit risk as of June 30, 2020 is the carrying amount of trade and other receivables.

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6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(ii) Other financial assets

Credit risk also arises from other financial assets such as cash and cash equivalents, short-term financial instruments, long-term and short-term investment assets, and 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 June 30, 2020 is the carrying amount of those financial assets. The Group transacts only with banks and financial institutions with high credit ratings, and accordingly management does not expect any significant loss from non-performance by the counterparties.

(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, and demand deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

(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 and proceeds and repayments of borrowings, and issue new shares or sell assets to reduce debt.

The debt-to-equity ratio and net borrowing ratio as of June 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2020	December 31, 2019
Total liabilities (A)	₩ 19,856,421	₩ 16,846,299
Total equity (B)	49,402,876	47,943,195
Cash and cash equivalents, and others ¹ (C)	5,264,668	3,994,713
Total borrowings (D)	12,690,183	10,523,506
Debt-to-equity ratio (A/B)	40.19%	35.14%
Net borrowing ratio (D-C)/B	15.03%	13.62%

¹ Total amount of cash and cash equivalents, short-term investment assets and short-term financial instruments.

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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 that an entity can access at the measurement date.
- 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 June 30, 2020 and December 31, 2019:

(In millions of Korean won)

	Carrying amounts	June 30, 2020			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term financial instruments	₩ 227,500	₩ -	₩ -	₩ 227,500	₩ 227,500
Short-term investment assets	897,052	-	897,052	-	897,052
Trade receivables ¹	624,805	-	624,805	-	624,805
Long-term investment assets	4,620,663	-	-	4,620,663	4,620,663
Other financial assets	30,228	-	30,228	-	30,228
	<u>6,400,248</u>	<u>-</u>	<u>1,552,085</u>	<u>4,848,163</u>	<u>6,400,248</u>
Financial assets not measured at fair value					
Cash and cash equivalents ²	3,918,249	-	-	-	-
Short-term financial instruments ²	221,867	-	-	-	-
Trade receivables ²	5,030,049	-	-	-	-
Loans and other receivables ²	134,409	-	-	-	-
Other financial assets ²	557	-	-	-	-
	<u>9,305,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial asset	<u>₩ 15,705,379</u>	<u>₩ -</u>	<u>₩ 1,552,085</u>	<u>₩ 4,848,163</u>	<u>₩ 6,400,248</u>
Financial liabilities measured at fair value					
Other financial liabilities	₩ 15,920	₩ -	₩ 15,920	₩ -	₩ 15,920
Other payables	6,988	-	-	6,988	6,988
	<u>22,908</u>	<u>-</u>	<u>15,920</u>	<u>6,988</u>	<u>22,908</u>
Financial liabilities not measured at fair value					
Trade payables ²	1,127,674	-	-	-	-
Other payables ²	2,349,040	-	-	-	-
Other non-trade payables ²	1,256,597	-	-	-	-
Borrowings	12,690,183	-	12,804,227	-	12,804,227
Lease liabilities ²	1,165,485	-	-	-	-
	<u>18,588,979</u>	<u>-</u>	<u>12,804,227</u>	<u>-</u>	<u>12,804,227</u>
Total financial liabilities	<u>₩ 18,611,887</u>	<u>₩ -</u>	<u>₩ 12,820,147</u>	<u>₩ 6,988</u>	<u>₩ 12,827,135</u>

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6. Financial Risk Management, Continued

(3) Fair value, Continued

¹ The Group transferred some of the trade receivables and majority of the risks and rewards to the customer. Accordingly, the Group derecognized trade receivables from the financial statement on the date of assets transfer and recognized gain or loss on disposal of trade receivables.

² The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

(In millions of Korean won)

	Carrying amounts	December 31, 2019			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term investment asset	₩ 1,390,293	₩ -	₩ 1,390,293	₩ -	₩ 1,390,293
Long-term investment asset	4,381,812	-	-	4,381,812	4,381,812
	<u>5,772,105</u>	<u>-</u>	<u>1,390,293</u>	<u>4,381,812</u>	<u>5,772,105</u>
Financial assets not measured at fair value					
Cash and cash equivalents ¹	2,306,070	-	-	-	-
Short-term financial instruments ¹	298,350	-	-	-	-
Trade receivables ¹	4,306,449	-	-	-	-
Loans and other receivables ¹	132,587	-	-	-	-
Other financial assets ¹	931	-	-	-	-
	<u>7,044,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial asset	<u>₩ 12,816,492</u>	<u>₩ -</u>	<u>₩ 1,390,293</u>	<u>₩ 4,381,812</u>	<u>₩ 5,772,105</u>
Financial liabilities measured at fair value					
Other financial liabilities	₩ 15,532	₩ -	₩ 15,532	₩ -	₩ 15,532
Other payables	13,006	-	-	13,006	13,006
	<u>28,538</u>	<u>-</u>	<u>15,532</u>	<u>13,006</u>	<u>28,538</u>
Financial liabilities not measured at fair value					
Trade payables ¹	1,042,542	-	-	-	-
Other payables ¹	2,354,667	-	-	-	-
Other non-trade payables ¹	1,276,161	-	-	-	-
Borrowings	10,523,506	-	10,585,029	-	10,585,029
Lease liabilities ¹	1,200,830	-	-	-	-
	<u>16,397,706</u>	<u>-</u>	<u>10,585,029</u>	<u>-</u>	<u>10,585,029</u>
Total financial liabilities	<u>₩ 16,426,244</u>	<u>₩ -</u>	<u>₩ 10,600,561</u>	<u>₩ 13,006</u>	<u>₩ 10,613,567</u>

¹ The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

(b) The valuation techniques used to measure financial instruments with fair value level 2 and level 3 are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2019.

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6. Financial Risk Management, Continued

(c) There was no transfer between fair value hierarchy levels for the six-month period ended June 30, 2020. The movements in financial assets classified as level 3 fair value measurements during the six-month period ended June 30, 2020 are as follows:

(In millions of Korean won)

	<u>Beginning Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Payments</u>	<u>Profit or loss on valuation</u>	<u>Foreign exchange difference</u>	<u>Transfer</u>	<u>Ending Balance</u>
Financial assets								
Long-term investment assets	₩ 4,381,812	52,071	(295)	-	(33)	212,088	(24,980)	4,620,663
Short-term financial instruments	₩ -	-	-	-	-	-	227,500	227,500
Financial liabilities								
Other payables	₩ 13,006	-	-	(6,369)	-	351	-	6,988

7. Restricted Financial Instruments

Details of restricted financial instruments as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
Short-term financial instruments	₩ 227,500	₩ 227,500	Restricted for supporting small businesses
	6,696	6,381	Pledged for consumption tax
	94,171	-	Guarantee deposits for repayments of borrowings
	<u>328,367</u>	<u>233,881</u>	
Other financial assets	11	11	Bank overdraft guarantee deposit
	479	269	Others
	490	280	
	<u>₩ 328,857</u>	<u>₩ 234,161</u>	

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8. Trade Receivables and Loans and Other Receivables

(1) Details of loans and other receivables as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current		
Other receivables	₩ 13,531	₩ 11,104
Accrued income	1,404	2,043
Short-term loans	7,314	6,816
Short-term guarantee and other deposits	52,049	3,545
	<u>74,298</u>	<u>23,508</u>
Non-current		
Long-term other receivables	2	2
Long-term loans	31,500	35,299
Guarantee deposits	28,373	73,550
Others	236	228
	<u>60,111</u>	<u>109,079</u>
	<u>₩ 134,409</u>	<u>₩ 132,587</u>

(2) Trade receivables and loans and other receivables, net of provision for impairment, as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	<u>June 30, 2020</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 5,654,916	₩ (62)	₩ 5,654,854
Current loans and other receivables	75,577	(1,279)	74,298
Non-current loans and other receivables	61,314	(1,202)	60,112
	<u>₩ 5,791,807</u>	<u>₩ (2,543)</u>	<u>₩ 5,789,264</u>

(In millions of Korean won)

	<u>December 31, 2019</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 4,306,458	₩ (9)	₩ 4,306,449
Current loans and other receivables	24,788	(1,280)	23,508
Non-current loans and other receivables	110,241	(1,162)	109,079
	<u>₩ 4,441,487</u>	<u>₩ (2,451)</u>	<u>₩ 4,439,036</u>

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8. Trade Receivables and Loans and Other Receivables, Continued

(3) Details of provision for impairment

Changes in the provision for impairment of trade receivables for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 9	₩ 48
Bad debt expense	582	-
Write-off	(529)	-
Foreign exchange difference	-	1
Ending balance	<u>₩ 62</u>	<u>₩ 49</u>

Changes in the provision for impairment of current loans and other receivables for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,280	₩ 1,323
Reversal	(1)	(44)
Foreign exchange difference	-	2
Ending balance	<u>₩ 1,279</u>	<u>₩ 1,281</u>

Movements in the provision for impairment of non-current loans and other receivables for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,162	₩ 1,117
Foreign exchange difference	40	35
Ending balance	<u>₩ 1,202</u>	<u>₩ 1,152</u>

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9. Inventories

Details of inventories as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020		
	Acquisition cost	Inventory valuation allowance	Carrying amount
Merchandise	₩ 3,274	₩ (26)	₩ 3,248
Finished goods	1,173,583	(211,627)	961,956
Work-in-process	3,658,008	(193,512)	3,464,496
Raw materials	738,603	(31,326)	707,277
Supplies	584,846	(25,164)	559,682
Goods in transit	117,480	-	117,480
	<u>₩ 6,275,794</u>	<u>₩ (461,655)</u>	<u>₩ 5,814,139</u>

(In millions of Korean won)

	December 31, 2019		
	Acquisition cost	Inventory valuation allowance	Carrying amount
Merchandise	₩ 2,843	₩ (21)	₩ 2,822
Finished goods	1,253,542	(195,108)	1,058,434
Work-in-process	3,383,814	(395,052)	2,988,762
Raw materials	659,893	(34,114)	625,779
Supplies	544,271	(23,203)	521,068
Goods in transit	98,970	-	98,970
	<u>₩ 5,943,333</u>	<u>₩ (647,498)</u>	<u>₩ 5,295,835</u>

10. Other Current and Non-current Assets

Details of other current and non-current assets as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Current		
Advance payments	₩ 67,741	₩ 64,429
Prepaid expenses	185,811	218,365
Value added tax refundable	284,566	343,434
Contract assets	57,502	55,715
Others	90	94
	<u>595,710</u>	<u>682,037</u>
Non-current		
Long-term advance payments	20,413	44,746
Long-term prepaid expenses	8,670	535,717
	<u>29,083</u>	<u>580,463</u>
	<u>₩ 624,793</u>	<u>₩ 1,262,500</u>

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11. Investments in Associates and Joint Ventures

(1) General information of investments in associates and joint ventures is as follows:

Type	Investee	Location	Business
Associate	Stratio, Inc ¹ .	U.S.A	Development and manufacturing semiconductor
	SK China Company Limited ²	China	Consulting and investment
	Gemini Partners Pte. Ltd.	Singapore	Consulting
	TCL Fund ¹	China	Investment
	SK South East Asia Investment Pte. Ltd.	Singapore	Consulting and investment
	Hushan Xinju (Chengdu) Venture Investment Center(Smartsource) ²	China	Venture Capital
	Prume Social Farm, Co., Ltd ³ .	Korea	Growing crops
	Wuxi xinfu IC industry park., Ltd ⁴ .	China	Developing Science-Technological Park
	Magnus Private Investment Co.,Ltd ⁵	Korea	Investment
	L&S (No.10) Early Stage III Investment Association ⁶	Korea	Investment
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	China	Manufacturing semiconductor parts
	Hystars Semiconductor (Wuxi) Co., Ltd ⁷ .	China	Foundry factory construction
	Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor ⁸	Korea	Investment
	Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor ⁹	Korea	Investment

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11. Investments in Associates and Joint Ventures, Continued

(2) Details of investments in associates and joint ventures as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

Investee	June 30, 2020			December 31, 2019	
	Ownership (%)	Net asset value	Carrying amount	Ownership (%)	Carrying amount
Associate:					
Stratio, Inc. ¹	9.12	₩ 93	₩ 398	9.12	₩ 395
SK China Company Limited ²	11.87	215,647	267,997	11.87	259,272
Gemini Partners Pte. Ltd.	20.00	2,666	2,666	20.00	2,735
TCL Fund ¹	11.36	8,464	8,799	11.06	4,995
SK South East Asia Investment Pte. Ltd.	20.00	371,010	371,010	20.00	237,599
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources) ²	16.67	8,190	8,190	16.67	5,659
Prume Social Farm, Co., Ltd. ³	31.95	421	972	31.95	1,000
Wuxi xinfu IC industry park., Ltd. ⁴	30.21	4,921	4,921	-	-
Magnus Private Investment Co., Ltd. ⁵	49.76	31,643	31,643	-	-
L&S (No.10) Early Stage III Investment Association ⁶	24.39	1,921	1,921	-	-
Joint venture:					
HITECH Semiconductor (Wuxi) Co., Ltd.	45.00	130,684	130,684	45.00	114,518
Hystars Semiconductor (Wuxi) Co., Ltd. ⁷	50.10	171,263	172,858	50.10	142,594
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor ⁸	33.33	24,854	24,854	-	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor ⁹	37.50	14,979	14,979	-	-
		₩ 986,756	₩ 1,041,892		₩ 768,767

¹ The Group is able to exercise significant influence through its right to appoint a director to the Board of Directors of each investee. Accordingly, the investments in these investees have been classified as associates.

² Management of the Group is able to exercise significant influence over the entity by participating Board of Directors. Accordingly, the investments in these investees have been classified as associates.

³ WooYoung Farm Co., Ltd. changed its name to "Prume Social Farm, Co., Ltd." during the six-month period ended June 30, 2020.

⁴ The Group acquired 30.21% of ownership in Wuxi xinfu IC industry park., Ltd. during the six-month period ended June 30, 2020, and the Group has significant influence over Wuxi xinfu IC industry park., Ltd., accordingly, the investment in this investee has been classified as an associate.

⁵ The Group acquired 49.76% of the Magnus Private Investment Co., Ltd.'s interest for the six-month period ended June 30, 2020, and the entity is classified as an associate as the Group has significant influence.

⁶ L&S (No.10) Early Stage III Investment Association was reclassified from long-term investment assets to associate for the six-month period ended June 30, 2020.

⁷ Since the relevant contract stipulates that important matters have to be resolved unanimously, the Group classified it as a joint venture for the six-month period ended June 30, 2020 although ownership percentage exceeds 50%.

⁸ It was reclassified from long-term investment assets to joint venture for the six-month period ended June 30, 2020, as it is stated in the agreement that unanimous vote is required for relevant activities.

⁹ The Group acquired 37.5% of Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor's interest for the six-month period ended June 30, 2020. It is classified as a joint venture since it is stated in the agreement that unanimous vote is required for relevant activities.

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11. Investments in Associates and Joint Ventures, Continued

(3) Changes in investments in associates and joint ventures for the six-month periods ended June 30, 2020 and 2019 are as follows

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Transfer	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 395	-	-	-	3	-	398
SK China Company Limited	259,272	-	-	3,839	4,886	-	267,997
Gemini Partners Pte. Ltd.	2,735	-	-	(87)	18	-	2,666
TCL Fund	4,995	2,718	-	661	425	-	8,799
SK South East Asia Investment Pte. Ltd.	237,599	121,450	-	4,406	7,555	-	371,010
Hushan Xinju (Chengdu) Venture Investment Center (Smartsource)	5,659	2,565	-	(149)	115	-	8,190
Prume Social Farm, Co., Ltd.	1,000	-	-	(28)	-	-	972
Wuxi xinfa IC industry park., Ltd.	-	5,013	-	(44)	(48)	-	4,921
Magnus Private Investment Co., Ltd.	-	31,769	-	(126)	-	-	31,643
L&S (No.10) Early Stage III Investment Association	-	1,500	500	(79)	-	-	1,921
HITECH Semiconductor (Wuxi) Co., Ltd.	114,518	-	-	10,030	6,136	-	130,684
Hystars Semiconductor (Wuxi) Co., Ltd.	142,594	29,684	-	(2,598)	3,178	-	172,858
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor	-	-	24,480	374	-	-	24,854
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor	-	15,000	-	(21)	-	-	14,979
	₩ 768,767	209,700	24,980	16,178	22,268	-	1,041,892

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11. Investments in Associates and Joint Ventures, Continued

(3) Changes in investments in associates and joint ventures for the six-month periods ended June 30, 2020 and 2019 are as follows, Continued

(In millions of Korean won)

	2019					
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 2,079	₩ -	₩ (5)	₩ 3	₩ -	₩ 2,077
SK China Company Limited	246,052	-	2,660	15,872	-	264,584
Gemini Partners Pte. Ltd.	2,601	-	(117)	108	-	2,592
TCL Fund	3,464	-	(7)	113	(9)	3,561
SK South East Asia Investment Pte. Ltd.	111,810	113,470	543	6,416	-	232,239
Hushan Xinju (Chengdu) Venture Investment Center (Smartsource)	3,241	2,531	(82)	56	-	5,746
HITECH Semiconductor (Wuxi) Co., Ltd.	109,708	-	7,182	3,643	(14,459)	106,074
Hystars Semiconductor (Wuxi) Co., Ltd.	83,239	-	(121)	2,678	-	85,796
	<u>₩ 562,194</u>	<u>₩ 116,001</u>	<u>₩ 10,053</u>	<u>₩ 28,889</u>	<u>₩ (14,468)</u>	<u>₩ 702,669</u>

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11. Investments in Associates and Joint Ventures, Continued

(4) Associates and joint ventures' summarized statements of financial position as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 541	₩ 664	₩ 191	₩ -
SK China Company Limited	483,662	1,626,230	231,587	51,257
Gemini Partners Pte. Ltd.	6,471	6,985	109	19
TCL Fund	11,194	63,610	3,538	-
SK South East Asia Investment Pte. Ltd.	326,141	2,427,458	1,748	-
Hushan Xinju (Chengdu) Venture Investment Center(Smartsource)	7,920	41,220	-	-
Prume Social Farm, Co., Ltd.	699	618	-	-
Wuxi xinfa IC industry park., Ltd.	16,289	-	-	-
Magnus Private Investment Co., Ltd.	300	63,543	254	-
L&S (No.10) Early Stage III Investment Association	5,126	2,750	-	-
HITECH Semiconductor (Wuxi) Co., Ltd.	247,438	416,546	137,629	235,945
Hystars Semiconductor (Wuxi) Co., Ltd.	67,619	510,145	5,523	230,398
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor	30,090	44,662	188	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor	1,059	39,000	116	-

(In millions of Korean won)

	December 31, 2019			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 431	₩ 715	₩ 169	₩ -
SK China Company Limited	604,127	1,357,238	46,747	170,812
Gemini Partners Pte. Ltd.	6,851	6,912	54	33
TCL Fund	12,652	35,809	3,256	-
SK South East Asia Investment Pte. Ltd.	108,465	1,705,297	91	-
Hushan Xinju (Chengdu) Venture Investment Center (Smartsource)	20,623	13,657	329	-
Prume Social Farm, Co., Ltd	1,016	610	2	222
HITECH Semiconductor (Wuxi) Co., Ltd.	193,377	442,510	84,071	297,330
Hystars Semiconductor (Wuxi) Co., Ltd.	167,238	388,318	48,984	225,075

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11. Investments in Associates and Joint Ventures, Continued

(5) Associates and joint ventures' summarized statements of comprehensive income (loss) for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Six-month period		Six-month period	
	Revenue	Profit (loss) for the period	Revenue	Profit (loss) for the period
Stratio, Inc.	₩ 37	₩ -	₩ 31	₩ (52)
SK China Company Limited	82,019	32,351	71,659	22,414
Gemini Partners Pte. Ltd.	-	(438)	-	(583)
TCL Fund	-	3,402	-	(63)
SK South East Asia Investment Pte. Ltd.	7,385	22,027	3,726	2,714
Hushan Xinju (Chengdu) Venture Investment Center(Smartsource)	-	(892)	-	(188)
Prume Social Farm, Co., Ltd.	-	(85)	-	-
Wuxi xinfu IC industry park., Ltd.	-	1	-	-
Magnus Private Investment Co., Ltd.	-	(253)	-	-
L&S (No.10) Early Stage III Investment Association	6	(324)	-	-
HITECH Semiconductor (Wuxi) Co., Ltd.	329,004	26,413	330,640	15,959
Hystars Semiconductor (Wuxi) Co., Ltd.	-	(5,185)	-	(241)
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor	58	(131)	-	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor	6	(57)	-	-

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12. Long-term Investment Assets

Changes in the carrying amount of long-term investment assets for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 4,381,812	₩	4,325,550
Acquisition	52,071		40,610
Disposal	(295)		(480)
Profit and loss on valuation	(33)		(22)
Foreign exchange difference	212,088		252,467
Transfer ¹	(24,980)		-
Ending balance	<u>₩ 4,620,663</u>	₩	<u>4,618,125</u>

¹Certain long-term investment assets have been transferred to associates and joint ventures during the six-month period ended June 30, 2020.

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 39,949,940	₩	34,952,617
Impacts on transition to Korean IFRS 1116	-		(73,069)
Beginning balance after transition adjustments	39,949,940		34,879,548
Acquisition	4,614,079		7,006,594
Disposal and retirement	(58,523)		(35,058)
Transfer	984		-
Depreciation	(4,182,349)		(3,567,500)
Foreign exchange difference	190,157		161,774
Ending balance	<u>₩ 40,514,288</u>	₩	<u>38,445,358</u>

(2) Certain property, plant and equipment are pledged as collaterals for borrowings of the Group as of June 30, 2020 (Note 33).

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14. Leases

(1) Changes in right-of-use assets for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 1,250,576	₩	-
Impacts on transition to Korean IFRS 1116	-		1,188,304
Beginning balance after transition adjustments	1,250,576		1,188,304
Acquisition	43,627		31,489
Depreciation	(102,449)		(133,147)
Foreign exchange difference	15,562		13,784
Ending balance	<u>₩ 1,207,316</u>	₩	<u>1,100,430</u>

(2) Changes in lease liabilities for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 1,200,830	₩	-
Impacts on transition to Korean IFRS 1116	-		1,192,096
Beginning balance after transition adjustments	1,200,830		1,192,096
Acquisition	42,842		31,474
Interest expenses	13,104		12,918
Payments	(111,243)		(137,332)
Foreign exchange difference	19,952		22,169
Ending balance	<u>₩ 1,165,485</u>	₩	<u>1,121,325</u>

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15. Intangible Assets

(1) Changes in intangible assets for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 2,571,049	₩ 2,678,770
Acquisition	320,235	329,897
Business combination	-	3,208
Disposal and retirement	(1,509)	(2,560)
Amortization	(431,686)	(448,013)
Impairment	-	(70)
Transfer	(984)	-
Others ¹	1,168,445	12,361
Ending balance	₩ 3,625,550	₩ 2,573,593

¹ Others include reclassification of license assets and impact from exchange rates fluctuation.

(2) Among costs associated with development activities, ₩121,658 million that met capitalization criteria, were capitalized as development cost for the six-month period ended June 30, 2020 (2019: ₩167,289 million). In addition, costs associated with research activities and other development expenditures that did not meet the criteria amounting to ₩1,538,225 million were recognized as expenses for the six-month period ended June 30, 2020 (2019: ₩1,364,196 million).

16. Investment Property

(1) Changes in investment property for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 258	₩ 1,400
Depreciation	(5)	(31)
Ending balance	₩ 253	₩ 1,369

(2) The depreciation expense of ₩5 million was charged to cost of sales for the six-month period ended June 30, 2020 (2019: ₩31 million).

(3) Rental income from investment property during the six-month period ended June 30, 2020 was ₩5 million (2019: ₩119 million).

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17. Borrowings

Details of borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Current		
Short-term borrowings	₩ 850,285	₩ 1,168,354
Current portion of long-term borrowings	2,610,753	1,259,593
Current portion of debentures	639,767	309,823
	<u>4,100,805</u>	<u>2,737,770</u>
Non-current		
Long-term borrowings	5,094,825	5,040,371
Debentures	3,494,553	2,745,365
	<u>8,589,378</u>	<u>7,785,736</u>
	<u>₩ 12,690,183</u>	<u>₩ 10,523,506</u>

18. Other Current and Non-current Liabilities

Details of other current and non-current liabilities as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Current		
Advance receipts	₩ 8,353	₩ 9,901
Unearned income	618	190
Withholdings	45,561	59,186
Deposits received	13,778	1,341
Contract liabilities	98,494	86,999
Others	6,306	5,380
	<u>173,110</u>	<u>162,997</u>
Non-current		
Other long-term employee benefits	84,870	82,873
Long-term advance receipts	4,900	4,900
	<u>89,770</u>	<u>87,773</u>
	<u>₩ 262,880</u>	<u>₩ 250,770</u>

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19. Provisions

(1) Changes in provisions for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020				
	Beginning Balance	Increase	Utilization	Reversal	Ending Balance
Warranty	₩ 4,081	₩ -	₩ (1,341)	₩ (47)	₩ 2,693
Emission allowances	6,620	9,505	-	-	16,125
	<u>₩ 10,701</u>	<u>₩ 9,505</u>	<u>₩ (1,341)</u>	<u>₩ (47)</u>	<u>₩ 18,818</u>

(In millions of Korean won)

	2019				
	Beginning Balance	Increase	Utilization	Reversal	Ending Balance
Warranty	₩ 3,992	₩ 501	₩ (1,124)	₩ -	₩ 3,369
Legal claims	5,881	-	(5,881)	-	-
Emission allowances	46,335	-	-	(8,732)	37,603
	<u>₩ 56,208</u>	<u>₩ 501</u>	<u>₩ (7,005)</u>	<u>₩ (8,732)</u>	<u>₩ 40,972</u>

(2) Provisions for warranty

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

(3) 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.

(4) Provision for emission allowances

The Group recognizes estimated future payment for the number of emission certificates required to settle the Group's obligation exceeding the actual number of certificates on hand as emission allowances according to the Act on Allocation and Trading of Greenhouse Gas Emission Permits.

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20. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Present value of defined benefit obligations	₩ 2,074,909	₩ 1,936,868
Fair value of plan assets	(1,866,147)	(1,886,650)
Net defined benefit liabilities	₩ 208,762	₩ 50,218
Defined benefit liabilities	₩ 209,420	₩ 53,624
Defined benefit assets ¹	₩ (658)	₩ (3,406)

¹ Certain subsidiaries' fair value of plan assets in excess of the present value of defined benefit obligations, presented as defined benefit assets, amounted to ₩658 million and ₩ 3,406 million as of June 30, 2020 and December 31, 2019, respectively.

(2) Principal actuarial assumptions as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020 (%)	December 31, 2019 (%)
Discount rate for defined benefit obligations	1.92 ~ 3.47	1.92 ~ 3.47
Expected rate of salary increase	2.70 ~ 5.94	2.70 ~ 5.94

(3) Changes in defined benefit obligations for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,936,868	₩ 1,609,055
Current service cost	130,139	108,967
Interest cost	32,341	29,820
Transferred from associates	383	2,251
Benefits paid	(24,888)	(20,750)
Others	66	290
Ending balance	₩ 2,074,909	₩ 1,729,633

(4) Changes in plan assets for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,886,650	₩ 1,608,832
Interest income	31,443	29,816
Contributions	-	1,570
Transferred from associates	378	3,173
Benefits paid	(43,145)	(25,136)
Remeasurements	(9,183)	(11,126)
Others	4	-
Ending balance	₩ 1,866,147	₩ 1,607,129

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20. Defined Benefit Liabilities, Continued

(5) The amounts recognized in profit or loss for the three-month and the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Current service cost	₩ 65,074	₩ 130,139	₩ 54,598	₩ 108,967
Net interest income	447	898	229	4
	<u>₩ 65,521</u>	<u>₩ 131,037</u>	<u>₩ 54,827</u>	<u>₩ 108,971</u>

(6) Details of plan assets as of June 30, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	June 30, 2020	December 31, 2019
Deposits	₩ 1,864,958	₩ 1,884,630
Other	1,189	2,020
	<u>₩ 1,866,147</u>	<u>₩ 1,886,650</u>

Actual return on plan assets for the six-month periods ended June 30, 2020 and 2019 amounted to ₩22,260 million and ₩18,690 million, respectively.

(7) Contributions to defined contribution plans amounting to ₩452 million (2019: ₩198 million) was recognized as current expenses for the six-month period ended June 30, 2020.

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21. Derivative Financial Instruments

(1) Details of derivative financial instruments applying cash flow hedge accounting as of June 30, 2020 are as follows:

(In thousands of foreign currencies)

Hedged items			Hedging instruments		
Borrowing date	Financial instrument	Hedged risk	Type of contract	Financial institution	Contract period
2019.09.17	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	Foreign currency risk	Fixed-to-fixed cross currency swap	Kookmin Bank and other	2019.09.17 ~ 2024.09.17
2019.10.02	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	Foreign currency and interest rate risk	Floating-to-fixed cross currency interest rate swap	Korea Development Bank	2019.10.02 ~ 2026.10.02
2020.02.03	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.02.03 ~ 2023.02.03
2020.03.18	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.03.18 ~ 2023.02.03

(2) The derivative financial instruments held by the Group are presented in non-current other financial assets and non-current other financial liabilities in the consolidated financial statements of financial position as of June 30, 2020, and the details are as follows:

(In millions of Korean won and thousands of foreign currencies)

Type of contract	Hedged items	Cash flow hedge	Fair value
Financial assets			
Fixed-to-fixed cross currency swap	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	₩ 30,228	₩ 30,228
			<u>₩ 30,228</u>
Financial liabilities			
Floating-to-fixed cross currency interest rate swap	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	₩ 13,091	₩ 13,091
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	1,999	1,999
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	830	830
			<u>₩ 15,920</u>

As of June 30, 2020, changes of fair value of the derivative is recognized in other comprehensive income or loss as all of designated hedging instruments are effective for foreign currency risk or foreign currency and interest rate risk.

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22. Capital Stock, Capital Surplus and Other Equity

(1) The Parent Company has 9,000,000,000 authorized shares and the face value per share is ₩ 5,000 as of June 30, 2020. The number of shares issued, common stock, capital surplus and other capital as of June 30, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won and thousands of shares)</i>	June 30, 2020	December 31, 2019
Issued shares ¹	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
Others	517,939	517,939
	<u>4,143,736</u>	<u>4,143,736</u>
Other equity:		
Acquisition cost of treasury shares	(2,508,427)	(2,508,427)
Share options	4,496	3,714
	<u>₩ (2,503,931) ₩</u>	<u>(2,504,713)</u>
Number of treasury shares	44,001	44,001

¹ As of June 30, 2020, the number of outstanding shares is 728,002 thousand shares, which differs from total issued shares due to share retirement.

(2) The number of outstanding shares, which deducted treasury shares held by the Parent Company from listed shares, is 684,002 thousands as of June 30, 2020 and December 31, 2019.

23. Accumulated Other Comprehensive Income

(1) Details of accumulated other comprehensive income (loss) as of June 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2020	December 31, 2019
Equity-accounted investees – share of other comprehensive income	₩ 25,546	₩ 3,278
Foreign operations – foreign currency translation differences	(88,618)	(314,966)
Gain (loss) on valuation of derivatives	(56)	12,753
	<u>₩ (63,128) ₩</u>	<u>(298,935)</u>

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23. Accumulated Other Comprehensive Income, Continued

(2) Changes in accumulated other comprehensive income (loss) for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive income	₩ 3,278	₩ 22,268	₩ 25,546
Foreign operations – foreign currency translation differences	(314,966)	226,348	(88,618)
Gain (loss) on valuation of derivatives	12,753	(12,809)	(56)
	<u>₩ (298,935)</u>	<u>₩ 235,807</u>	<u>₩ (63,128)</u>

(In millions of Korean won)

	2019		
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive income (loss)	₩ (18,166)	₩ 28,889	₩ 10,723
Foreign operations – foreign currency translation differences	(464,653)	223,868	(240,785)
	<u>₩ (482,819)</u>	<u>₩ 252,757</u>	<u>₩ (230,062)</u>

24. Retained Earnings

Retained earnings as of June 30, 2020 and December 31, 2019, are as follows:

	June 30, 2020	December 31, 2019
(In millions of Korean won)		
Legal reserve ¹	₩ 349,955	₩ 281,555
Discretionary reserve ²	235,506	235,506
Unappropriated retained earnings ³	43,563,072	42,413,614
	<u>₩ 44,148,533</u>	<u>₩ 42,930,675</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 the reserve for technology development.

³ Dividends in the amount of ₩684,002 million were approved at shareholders' meeting held on March 20, 2020, and the dividends were paid in the six-month period ended June 30, 2020.

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25. Revenue

(1) Details of the Group's revenue for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Sale of goods	₩ 8,588,536	₩ 15,771,731	₩ 6,435,048	₩ 13,188,856
Providing services	17,998	33,695	17,153	36,000
	₩ <u>8,606,534</u>	₩ <u>15,805,426</u>	₩ <u>6,452,201</u>	₩ <u>13,224,856</u>

(2) Details of the Group's revenue by product and service types for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
DRAM	₩ 6,106,543	₩ 11,186,225	₩ 4,804,492	₩ 10,157,629
NAND Flash	2,020,052	3,756,775	1,255,088	2,410,404
Others	479,939	862,426	392,621	656,823
	₩ <u>8,606,534</u>	₩ <u>15,805,426</u>	₩ <u>6,452,201</u>	₩ <u>13,224,856</u>

(3) The Group's revenue information by region based on the location of selling entities for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Korea	₩ 365,966	₩ 702,177	₩ 407,328	₩ 616,826
China	3,346,407	6,517,157	3,124,349	6,282,417
Taiwan	538,988	969,173	349,268	677,186
Asia (other than China and Taiwan)	691,985	1,138,859	550,667	1,181,036
U.S.A.	3,318,871	5,845,090	1,770,768	3,868,441
Europe	344,317	632,970	249,821	598,950
	₩ <u>8,606,534</u>	₩ <u>15,805,426</u>	₩ <u>6,452,201</u>	₩ <u>13,224,856</u>

(4) Details of the Group's revenue by the timing of revenue recognition during the three-month and six-month periods ended June 30, 2020 and 2019 is as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Performance obligations satisfied at a point in time	₩ 8,588,536	₩ 15,771,731	₩ 6,435,048	₩ 13,188,856
Performance obligations satisfied over time	17,998	33,695	17,153	36,000
	₩ <u>8,606,534</u>	₩ <u>15,805,426</u>	₩ <u>6,452,201</u>	₩ <u>13,224,856</u>

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26. Selling and Administrative Expenses

Selling and administrative expenses for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Salaries	₩ 159,931	₩ 300,152	₩ 131,842	₩ 279,249
Defined benefits plan	13,750	27,448	11,882	23,334
Employee benefits	36,696	74,956	34,924	69,535
Commission	42,860	154,119	109,153	215,484
Depreciation	61,512	120,230	50,210	97,685
Amortization	158,673	317,387	200,818	397,602
Freight and custody charges	13,687	25,163	11,060	19,014
Legal cost	5,817	10,935	11,740	19,579
Rentals	1,884	4,136	2,032	3,260
Taxes and dues	12,324	25,893	14,128	30,212
Training	13,964	28,396	10,235	22,107
Advertising	23,884	37,434	20,149	31,567
Utilities	2,903	6,898	2,497	5,921
Supplies	20,915	41,349	23,474	38,665
Repairs	7,273	10,729	6,456	11,685
Travel and transportation	500	2,755	4,354	8,481
Others	37,656	63,057	24,005	55,316
	<u>614,229</u>	<u>1,251,037</u>	<u>668,959</u>	<u>1,328,696</u>
Research and developments:				
Expenditure on research and developments	844,770	1,659,883	788,034	1,531,485
Development costs capitalized	(61,509)	(121,658)	(77,811)	(167,289)
	<u>783,261</u>	<u>1,538,225</u>	<u>710,223</u>	<u>1,364,196</u>
	<u>₩ 1,397,490</u>	<u>₩ 2,789,262</u>	<u>₩ 1,379,182</u>	<u>₩ 2,692,892</u>

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27. Expenses by Nature

Nature of expenses for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	₩ (285,699)	₩ (379,255)	₩ (332,992)	₩ (907,115)
Raw materials and consumables	1,941,676	3,688,648	1,412,122	2,929,138
Labor costs	1,068,615	1,989,907	925,692	1,890,291
Depreciation and amortization	2,402,176	4,712,032	2,108,311	4,138,149
Commission	493,702	1,023,262	520,290	1,022,015
Utilities	343,095	707,494	330,026	659,077
Repair	334,015	567,748	556,560	822,995
Outsourcing	308,731	614,565	283,039	573,865
Others	121,821	267,565	91,876	267,664
Transfer: capitalized development cost and others	(68,313)	(133,556)	(80,353)	(175,343)
Total ¹	₩ 6,659,819	₩ 13,058,410	₩ 5,814,571	₩ 11,220,736

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

28. Finance Income and Expenses

Finance income and expenses for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Finance income				
Interest income	₩ 5,252	₩ 9,989	₩ 6,290	₩ 17,596
Dividend income	316	599	40	82
Foreign exchange differences ¹	99,243	762,335	506,923	827,142
Gain on valuation of short-term investment assets	(3,071)	2,502	(14,774)	5,963
Gain on disposal of short-term investment assets	10,195	17,256	30,512	36,554
Gain on valuation of financial liabilities at fair value through profit or loss	-	-	1,070	1,070
	111,935	792,681	530,061	888,407
Finance expense				
Interest expenses	63,266	134,414	59,382	100,452
Foreign exchange differences	210,647	694,287	417,407	624,179
Loss on valuation of long-term investment assets	33	33	9	22
	273,946	828,734	476,798	724,653
Net finance income (expense)	₩ (162,011)	₩ (36,053)	₩ 53,263	₩ 163,754

¹ For the six-month period ended June 30, 2020, the foreign exchange difference gain from long-term investment assets amounting to ₩212,088 million is included.

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29. Other Income and Expenses

(1) Other income for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Gain on disposal of property, plant and equipment	₩ 10,518	₩ 18,605	₩ 18,749	₩ 18,951
Gain on disposal of intangible assets	-	122	-	-
Others	9,297	19,336	5,943	30,431
	₩ <u>19,815</u>	₩ <u>38,063</u>	₩ <u>24,692</u>	₩ <u>49,382</u>

(2) Other expenses for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Loss on disposal of property, plant and equipment	₩ 40,547	₩ 41,463	₩ 5,939	₩ 8,123
Loss on disposal of intangible assets	-	1,332	886	2,377
Loss on impairments of intangible assets	-	-	-	70
Loss on disposal of trade receivables	1,804	4,207	2,414	4,023
Donation	39,274	49,967	33,128	37,685
Others	4,190	12,722	2,831	19,470
	₩ <u>85,815</u>	₩ <u>109,691</u>	₩ <u>45,198</u>	₩ <u>71,748</u>

30. 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.

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31. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Parent Company by the weighted average number of outstanding ordinary shares for the three-month and six-month periods ended June 30, 2020 and 2019.

(1) Basic earnings per share for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

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

	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shareholders of the Parent Company	₩ 1,262,890	₩ 1,911,044	₩ 535,529	₩ 1,638,282
Weighted average number of outstanding ordinary shares ¹	684,001,795	684,001,795	684,001,795	684,001,795
Basic earnings per share (in Korean won)	₩ 1,846	₩ 2,794	₩ 783	₩ 2,395

¹ Weighted average number of outstanding ordinary shares is calculated as follows:

(In shares)

	2020		2019	
	Three months	Six months	Three months	Six months
Outstanding ordinary shares	728,002,365	728,002,365	728,002,365	728,002,365
Treasury shares	(44,000,570)	(44,000,570)	(44,000,570)	(44,000,570)
Weighted average number of outstanding ordinary shares	684,001,795	684,001,795	684,001,795	684,001,795

(2) Diluted earnings per share for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

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

	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shareholders of the Parent Company	₩ 1,262,890	₩ 1,911,044	₩ 535,529	₩ 1,638,282
Weighted average number of diluted outstanding ordinary shares ¹	684,116,695	684,131,695	684,076,654	684,072,776
Diluted earnings per share (in Korean won)	₩ 1,846	₩ 2,793	₩ 783	₩ 2,395

¹ Weighted average number of diluted outstanding ordinary shares is calculated as follows:

(In share)

	2020		2019	
	Three months	Six months	Three months	Six months
Weighted average number of outstanding ordinary shares	684,001,795	684,001,795	684,001,795	684,001,795
Share options	114,900	129,900	74,859	70,981
Weighted average number of diluted outstanding ordinary shares	684,116,695	684,131,695	684,076,654	684,072,776

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32. Transactions with Related Parties and Others

(1) Details of related parties as of June 30, 2020 are as follows:

Type	Name of related parties
Associates	Stratio, Inc., SK China Company Limited, Gemini Partners Pte. Ltd., TCL Fund, SK South East Asia Investment Pte. Ltd., Hushan Xinju (Chengdu) Venture Investment Center (Smartsource), Prume Social Farm, Co., Ltd, Wuxi xinfu IC industry park., Ltd. L&S (No.10) Early Stage III Investment Association Magnus Private Investment Co., Ltd.
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd., Hystars Semiconductor (Wuxi) Co., Ltd. Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor
Other related parties	SK Telecom Co., Ltd., which has significant influence over the Group, and its subsidiaries, SK Holdings Co., Ltd., which has control over SK Telecom Co., Ltd., and its subsidiaries

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(2) Significant transactions for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

		For the three-month period ended June 30, 2020		
Company		Operating revenue and others	Operating expense and others	Asset acquisition
Associate	SK China Company Limited	₩ 4	₩ 2,517	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	1,460	166,650	4,664
	Hystars Semiconductor (Wuxi) Co., Ltd.	32	-	-
Other related parties	SK Telecom Co., Ltd.	44,210	7,220	2,027
	SK Holdings Co., Ltd.	5,856	49,240	79,848
	ESSENCORE Limited	149,245	-	-
	SK Engineering & Construction Co., Ltd.	10,956	121	356,772
	SK Energy Co., Ltd.	15,751	15,107	-
	SK Networks Co., Ltd.	1,302	830	82
	SKC Solmics Co., Ltd.	171	22,839	55
	Chungcheong energy service Co., Ltd.	33	5,547	-
	SK Materials Co., Ltd.	1,044	23,934	-
	SK Siltron Co., Ltd.	8,367	100,369	-
	SK Airgas Co., Ltd.	13,067	12,677	-
	Others	39,005	145,204	11,502
		₩ 290,503	₩ 552,255	₩ 454,950

(In millions of Korean won)

		For the six-month period ended June 30, 2020		
Company		Operating revenue and others	Operating expense and others	Asset acquisition
Associate	SK China Company Limited	₩ 6	₩ 3,217	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	3,592	332,190	4,744
	Hystars Semiconductor (Wuxi) Co., Ltd.	109	-	-
Other related parties	SK Telecom Co., Ltd. ¹	57,406	162,304	4,330
	SK Holdings Co., Ltd. ²	11,153	106,144	153,369
	ESSENCORE Limited	364,711	-	-
	SK Engineering & Construction Co., Ltd.	24,898	121	702,194
	SK Energy Co., Ltd.	27,703	41,514	-
	SK Networks Co., Ltd.	3,258	2,992	377
	SKC Solmics Co., Ltd.	301	46,657	55
	Chungcheong energy service Co., Ltd.	42	15,261	-
	SK Materials Co., Ltd.	1,998	46,132	-
	SK Siltron Co., Ltd.	16,411	197,576	-
	SK Airgas Co., Ltd.	13,093	25,231	-
	Others	73,858	277,881	29,107
		₩ 598,539	₩ 1,257,220	₩ 894,176

¹ Operating expense and others include dividend of ₩149,100 million paid.

² For the six-month period ended June 30, 2020, royalty paid for the use of the SK brand amounted to ₩27,244 million.

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32. Transactions with Related Parties and Others, Continued

(In millions of Korean won)

		For the three-month period ended June 30, 2019			
Company		Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 32	₩ 2,355	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	703	161,782	-	14,458
	Hystars Semiconductor (Wuxi) Co., Ltd.	51	-	-	-
Other related parties	SK Telecom Co., Ltd.	37,339	4,074	2,922	-
	SK Holdings Co., Ltd.	6,454	72,485	90,502	-
	ESSEN CORE Limited	221,865	-	-	-
	SK Engineering & Construction Co., Ltd.	16,944	-	502,576	-
	SK Energy Co., Ltd.	16,721	16,302	-	-
	SK Networks Co., Ltd.	3,335	3,435	-	-
	SKC solmics Co., Ltd.	156	21,408	282	-
	Chungcheong energy service Co., Ltd.	-	5,764	-	-
	SK Materials Co., Ltd.	1,070	19,932	-	-
	SK Siltron Co., Ltd.	8,207	112,630	-	-
	SK Airgas Co., Ltd.	30	17,903	-	-
	Others	35,830	123,124	5,290	-
		<u>₩ 348,737</u>	<u>₩ 561,194</u>	<u>₩ 601,572</u>	<u>₩ 14,458</u>

(In millions of Korean won)

		For the six-month period ended June 30, 2019			
Company		Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 36	₩ 4,636	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	1,803	330,282	-	14,458
	Hystars Semiconductor (Wuxi) Co., Ltd.	238	-	-	-
Other related parties	SK Telecom Co., Ltd. ¹	61,011	230,106	6,476	-
	SK Holdings Co., Ltd. ²	14,160	133,052	129,533	-
	ESSEN CORE Limited	397,926	-	-	-
	SK Engineering & Construction Co., Ltd.	30,359	-	587,760	-
	SK Energy Co., Ltd.	24,298	41,201	-	-
	SK Networks Co., Ltd.	5,909	5,975	-	-
	SKC solmics Co., Ltd.	375	41,123	909	-
	Chungcheong energy service Co., Ltd.	6	16,482	-	-
	SK Materials Co., Ltd.	2,146	38,991	-	-
	SK Siltron Co., Ltd.	16,587	218,829	-	-
	SK Airgas Co., Ltd.	40	35,317	-	-
	Others	64,219	245,981	9,291	-
		<u>₩ 619,113</u>	<u>₩ 1,341,975</u>	<u>₩ 733,969</u>	<u>₩ 14,458</u>

¹ Operating expense includes dividend of ₩219,200 million paid.

² For the six-month period ended June 30, 2019, royalty paid for the use of the SK brand amounted to ₩41,345 million.

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32. Transactions with Related Parties and Others, Continued

(3) The balances from significant transactions as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

		June 30, 2020	
Company		Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ 2	₩ 4,774
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	1,973	104,753
	Hystars Semiconductor (Wuxi) Co., Ltd.	11	-
Other related parties	SK Telecom Co., Ltd.	7,893	6,849
	SK Holdings Co., Ltd.	3,039	185,091
	ESSENCORE Limited	42,577	-
	SK Engineering & Construction Co., Ltd.	4,619	503,074
	SK Energy Co., Ltd.	2,457	18,117
	SK Networks Co., Ltd.	280	2,850
	SKC solmics Co., Ltd.	64	20,679
	Chungcheong energy service Co., Ltd.	-	1,163
	SK Materials Co., Ltd.	400	9,941
	SK Siltron Co., Ltd. ¹	72,640	48,341
	SK Airgas Co., Ltd.	6	267,252
	Others	17,801	87,005
		₩ 153,762	₩ 1,259,889

¹ Trade receivable and others include ₩70,104 million of advance paid for the purchase of wafers (Note 33-(9)).

(In millions of Korean won)

		December 31, 2019	
Company		Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ 1	₩ 10,883
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	357	395,529
Other related parties	SK Telecom Co., Ltd.	9,334	7,342
	SK Holdings Co., Ltd.	3,668	151,940
	ESSENCORE Limited	37,823	-
	SK Engineering & Construction Co., Ltd.	6,012	855,621
	SK Energy Co., Ltd.	3,207	24,203
	SK Networks Co., Ltd.	897	7,243
	SKC solmics Co., Ltd.	55	17,463
	Chungcheong energy service Co., Ltd.	13	3,599
	SK Materials Co., Ltd.	360	7,681
	SK Siltron Co., Ltd. ¹	99,203	36,395
	SK Airgas Co., Ltd.	43	277,059
	Others	20,486	102,535
		₩ 181,459	₩ 1,897,493

¹ Trade receivable and others include ₩96,216 million of advance paid for the purchase of wafers (Note 33-(9)).

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32. Transactions with Related Parties and Others, Continued

(4) Key management compensation

The Group considers registered directors who have authority and responsibility for planning, directing and controlling the activities of the Group as key management. The compensation paid to key management for employee services for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	Periods ended June 30			
	2020		2019	
	Three months	Six months	Three months	Six months
Salaries	₩ 1,182	₩ 2,583	₩ 925	₩ 2,857
Defined benefit plan	136	273	101	203
Share-based payment	290	590	300	347
	₩ 1,608	₩ 3,446	₩ 1,326	₩ 3,407

(5) The significant transactions between the Group and the companies that are in the same conglomerate group according to 'Fair Trade Law' for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Company	Periods ended June 30, 2020					
	Operating revenue and others		Operating expense and others		Asset acquisition	
	Three months	Six months	Three months	Six months	Three months	Six months
SK Chemicals Co., Ltd.	₩ 2,523	4,863	345	735	-	-
SK Bioscience Co., Ltd.	472	785	3	3	-	-
ANTS Co., Ltd.	1	2	3,460	4,528	-	-
SMCore. Inc	-	-	136	153	1,411	15,189
Korea Nexlene Company	1,108	2,112	-	-	-	-
Others	775	2,418	213	478	-	-
	₩ 4,879	10,180	4,157	5,897	1,411	15,189

(In millions of Korean won)

Company	Periods ended June 30, 2019			
	Operating revenue and others		Operating expense and others	
	Three months	Six months	Three months	Six months
SK Chemicals Co., Ltd.	₩ 2,566	4,686	408	776
SK Bioscience Co., Ltd.	1,471	2,427	22	23
ANTS Co., Ltd.	2	4	45	3,379
Others	1,003	1,336	-	-
	₩ 5,042	8,453	475	4,178

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32. Transactions with Related Parties and Others, Continued

(6) The balances of significant transactions between the Group and the companies that are in the same conglomerate group designated by 'Fair Trade Law' as of June 30, 2020 and December 31, 2019 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Company	June 30, 2020	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 732	₩ 107
SK Bioscience Co., Ltd	210	-
ANTS Co., Ltd.	1	1,726
SMCore. Inc	-	539
Korea Nexlene Company	178	-
Others	191	80
	₩ 1,312	₩ 2,452

(In millions of Korean won)

Company	December 31, 2019	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 886	₩ 114
SK Bioscience Co., Ltd	177	20
ANTS Co., Ltd.	1	942
Others	645	-
	₩ 1,709	₩ 1,076

(7) The right-of-use assets and lease liabilities recognized regarding the lease agreements entered with the related parties for the period ended June 30, 2020 amount to ₩18,384 million and ₩18,492 million, respectively, and lease payments to the related parties amount to ₩18,744 million for the period ended June 30, 2020.

(8) The Group provides a payment guarantee amounting to RMB 701 million to Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture.(Note 33).

(9) The establishment of the subsidiary is explained in Note 1, and the acquisitions and additional investments of associates and joint ventures are explained in Note 11.

SK hynix Inc. and Subsidiaries

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33. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of June 30, 2020 are as follows:

(a) Lawsuit from Netlist, Inc. ("Netlist")

Netlist filed a lawsuit against the Parent Company and its subsidiaries including SK hynix America Inc. and SK hynix memory solutions America Inc. alleging infringement of multiple patents to the U.S. International Trade Commission ("U.S. ITC"), on September 1, 2016 and on October 31, 2017.

The lawsuit filed to the U.S. ITC on September 1, 2016 was provisionally concluded on January 16, 2018 that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc., did not infringe the patents of Netlist. Netlist filed an appeal against the conclusion; however, the U.S. Federal Court of Appeals rejected the petition on December 12, 2019; accordingly, it is finally concluded that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc. did not infringe the patents.

Regarding the patent infringement case that was filed on October 31, 2017, the U.S. ITC determined that the Parent Company and its subsidiaries, SK Hynix America Inc. and SK Hynix memory solutions America Inc. did not infringe the patents of Netlist on April 7, 2020. Netlist filed for an appeal on April 29, 2020 and withdrew the appeal on June 23, 2020; accordingly, it is finally concluded that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc. did not infringe the patents.

In addition, Netlist filed lawsuits against the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc., with the U.S. District Court for the Central District of California on August 31, 2016 and June 14, 2017, and filed a lawsuit against the Parent Company and its subsidiary, SK hynix America Inc., with the U.S. District Court for the Western District of Texas on March 17, 2020 and June 15, 2020 for infringement of U.S. patent of Netlist. As of June 30, 2020, the litigation value has not been determined and the final results cannot be predicted.

(b) Price-fixing class action lawsuits in North America

On April 27, 2018, a class action lawsuit against the Parent Company and its subsidiary, SK hynix America Inc., for price fixing by major DRAM companies (period from June 1, 2016 to February 1, 2018) was filed with the U.S. District Court for the Northern District of California. Similar class action lawsuits have been filed with the U.S. District Court for the Northern District of California, the Supreme Court of British Columbia, the Quebec District Court, and the Ontario Federal and District Court. As of June 30, 2020, the Group cannot predict the outcome of these lawsuits.

(c) The antitrust investigation in China

The State Administration for Market Regulation of China initiated to investigate the violation of the antitrust law regarding on primary DRAM businesses' sales in China in May 2018, and the investigation has been started. The pending case currently is under investigation. As of June 30, 2020, the Group cannot predict the outcome of these investigation.

(d) Other patent infringement claims and litigation

In addition to the above litigations, the Group has responded to various disputes related to intellectual property rights and recognizes liabilities when it represents a present obligation as a result of past event and it is probable that an outflow of resources will arise and a loss can be reliably estimated.

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33. Commitments and Contingencies, Continued

(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 on a lump-sum or running basis in accordance with the respective agreements. The lump-sum royalty payables are recognized as intangible assets, and the amount is amortized on a straight-line basis for the patent license agreement period and recognized as amortization expense.

(3) Contract for supply of industrial water

The Group has entered into a re-newal contract with Veolia Water Industrial Development Co., Ltd. ("Veolia") under which the Group purchases industrial water from Veolia during the period of June 2018 through May 2023. According to the 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) Back-end process service contract with HITECH Semiconductor (Wuxi) Co., Ltd. ("HITECH")

The Group has entered into an agreement with HITECH to be provided with back-end process service by HITECH. The conditions of the service provided includes package, package test, modules and others. According to the agreement, the Group is liable to guarantee a certain level of margin to HITECH as the Group has priority to use HITECH's equipment.

(5) Assets provided as collateral

Details of assets provided as collateral as of June 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

Category	Book value		Pledged amount			Remark
	Currency	Amount	Currency	Amount in USD	Amount in KRW	
Land and buildings	KRW	57,366	USD	49	59,423	Borrowings for equipment and others
			KRW	-	5,854	
Machinery	KRW	6,346,010	USD	7,239	8,692,238	
			KRW	-	1,020,000	
	KRW	6,403,376	USD	7,288	8,751,661	
			KRW	-	1,025,854	

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33. Commitments and Contingencies, Continued

(6) Financing agreements

Details of credit lines with financial institutions as of June 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

	Financial Institution	Commitment	Currency	Amount
The Parent Company	Hana Bank and others	Import finance including usance	USD	500
		Comprehensive limit contract for import and export	USD	1,060
		Overdrafts with banks	KRW	20,000
		Accounts receivable factoring contracts which have no right to recourse	KRW	140,000
SK hynix Semiconductor (China) Ltd.	Agricultural Bank of China and others	Import finance including usance	RMB	2,450
			USD	490
SK hynix America Inc. and other sales entities	Citibank and others	Accounts receivable factoring contracts which have no right to recourse	USD	757
Domestic subsidiaries	Hana Bank and others	Import finance including usance	USD	45

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33. Commitments and Contingencies, Continued

(7) Details of guarantees provided to others as of June 30, 2020 are as follows:

<i>(In millions of foreign currencies)</i>	<u>Currency</u>	<u>Amount</u>	<u>Remark</u>
Taiwan Semiconductor Manufacturing Company, Limited. ¹	USD	80	Guarantees for supply agreement
Wuxi Xinfra Group Co., Ltd. ²	RMB	701	Guarantees for borrowing

¹ The Group is provided a deposit of ₩1,000 million as collateral from AD Technology Inc. regarding payment guarantee for Taiwan Semiconductor Manufacturing Company, Limited.

² The Group provides a payment guarantee to Wuxi Xinfra Group Co., Ltd. for borrowings of Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture of the Group.

(8) Capital commitments

The Group's unrecorded commitments in relation to the capital expenditures on property, plant and equipment and intangible assets as of June 30, 2020 are ₩4,813,897 million (as of December 31, 2019: ₩232,387 million).

(9) Long-term purchase agreement for raw materials

The Group has entered into a procurement agreement with SK Siltron Co., Ltd. from 2019 to 2023 for a stable supply of wafer with an advanced payment of ₩150,000 million made in 2017. The advanced payment used in connection with the purchase of wafer during the current period is ₩26,112 million, and the balance of the advance payment as of June 30, 2020, is ₩70,104 million. Meanwhile, SK Siltron Co., Ltd. has committed to provide a certain portion of its investment assets as collateral to secure the advanced payment.

(10) Investment in KIOXIA Holdings Corporation ("KIOXIA")

In regard to the Group's interests in KIOXIA through its investments in BCPE Pangea Intermediate holdings Cayman, L.P. and BCPE Pangea Cayman2 Limited, equity shares in KIOXIA owned, directly or indirectly, by the Group are limited to a certain percentage during certain periods after the date of acquisition. In addition, during the same periods, the Group does not have the right in appointing KIOXIA's directors and is unable to exercise significant influence over decision-making for KIOXIA's operations and management.

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34. Cash Flows

(1) Reconciliations between profit for the period and cash generated from operations for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Profit for the period	₩ 1,913,310	₩ 1,639,155
Adjustment		
Income tax expense	742,204	516,406
Interest expense	134,414	100,452
Interest income	(9,989)	(17,596)
Depreciation of property, plant and equipment	4,182,349	3,567,500
Depreciation of investment property	6	31
Amortization	431,686	448,013
Depreciation of right-of-use assets	102,449	133,147
Loss on disposal of property, plant and equipment	41,464	8,123
Loss on disposal of intangible assets	1,332	2,377
Impairment of intangible assets	-	70
Defined benefit plan	131,037	108,971
Compensation expense associated with share options	782	788
Loss on foreign currency translation	271,717	246,537
Gain on disposal of property, plant and equipment	(18,605)	(18,951)
Gain on disposal of intangible assets	(122)	-
Gain on foreign currency translation	(282,430)	(309,218)
Gain on equity method investments, net	(16,178)	(10,053)
Gain on valuation of short-term investment assets	(2,502)	(5,963)
Gain on disposal of short-term investment assets	(17,256)	(36,554)
Loss on valuation of long-term investment assets	33	22
Gain on financial liabilities at fair value through profit or loss	-	(1,070)
Loss on disposal of trade receivables	4,207	-
Others, net	(794)	3,842
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(1,245,951)	1,714,414
Decrease in loans and other receivables	14,867	29,320
Increase in inventories	(497,291)	(1,138,054)
Decrease (increase) in other assets	(25,813)	36,835
Decrease in trade payables	(7,432)	(279,084)
Decrease in other payables	(89,685)	(42,119)
Increase(decrease) in other non-trade payables	8,492	(659,663)
Increase (decrease) in provisions	8,115	(15,217)
Increase (decrease) in other liabilities	2,612	(2,331)
Contributions to plan assets	-	(1,570)
Payment of defined benefit liabilities	(268)	(3,328)
Cash generated from operations	₩ <u>5,776,760</u>	₩ <u>6,015,232</u>

(2) Details of significant transactions without inflows and outflows of cash for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Decrease in other payables related to property, plant and equipment	₩ (417,754)	₩ (1,506,140)

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34. Cash Flows, Continued

(3) Changes in liabilities arising from financial activities for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 11,724,336	₩ 5,281,937
Adjustments due to the transition to Korean IFRS 1116	-	1,123,937
Beginning balance after transition adjustments	<u>11,724,336</u>	<u>6,405,874</u>
Cash flows from financing activities		
- Proceeds from borrowings	3,930,315	5,864,012
- Repayments of borrowings	(2,001,697)	(2,462,930)
- Repayments of lease liabilities	(108,250)	(136,032)
Increase of lease liabilities	42,842	-
Foreign currency differences and others	255,772	185,115
Present value discount (interest expense)	15,343	13,806
Interest paid	(2,993)	(1,300)
Ending balance	<u>₩ 13,855,668</u>	<u>₩ 9,868,545</u>

(4) The Group presented the inflow and outflow of cash from short-term investment assets and related investments in subsidiaries related to MMT, which are frequently traded and have a large total amount and mature in a short period of time, as net increases and decreases.

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35. Share-based Payment

(1) The Parent Company granted equity-settled share options to the Parent Company's key management during the six-month period ended June 30, 2020 and the details of the share options as of June 30, 2020 are as follows:

(In shares)

	Total numbers of share option granted	Forfeited or Cancelled	Exercised	Outstanding at June 30, 2020
1 st	99,600	-	-	99,600
2 nd	99,600	-	-	99,600
3 rd	99,600	-	-	99,600
4 th	7,747	-	-	7,747
5 th	7,223	-	-	7,223
6 th	8,171	8,171	-	-
7 th	61,487	-	-	61,487
8 th	61,487	-	-	61,487
9 th	61,487	-	-	61,487
10 th	54,020	-	-	54,020
11 th	6,397	-	-	6,397
	566,819	8,171	-	558,648

	Grant date	Service Period for Vesting	Exercisable Period	Exercise price (in Korean won)
1 st	March 24, 2017	March 24, 2017 - March 24, 2019	March 25, 2019 - March 24, 2022	48,400
2 nd	March 24, 2017	March 24, 2017 - March 24, 2020	March 25, 2020 - March 24, 2023	52,280
3 rd	March 24, 2017	March 24, 2017 - March 24, 2021	March 25, 2021 - March 24, 2024	56,460
4 th	January 1, 2018	January 1, 2018 - December 31, 2019	January 1, 2020 - December 31, 2022	77,440
5 th	March 28, 2018	March 28, 2018 - March 28, 2020	March 29, 2020 - March 28, 2023	83,060
6 th	February 28, 2019	February 28, 2019 - February 28, 2021	March 1, 2021 - February 29, 2024	73,430
7 th	March 22, 2019	March 22, 2019 - March 22, 2021	March 23, 2021 - March 22, 2024	71,560
8 th	March 22, 2019	March 22, 2019 - March 22, 2022	March 23, 2022 - March 22, 2025	77,290
9 th	March 22, 2019	March 22, 2019 - March 22, 2023	March 23, 2023 - March 22, 2026	83,470
10 th	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730
11 th	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730

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35. Share-based Payment, Continued

(2) Measurement of fair value

The compensation cost is calculated by applying a binomial option-pricing model in estimating the fair value of the option at each grant date. The inputs used are as follows:

	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th
Expected volatility	23.23%	23.23%	23.23%	22.50%	25.30%	25.60%	26.17%	26.17%	26.17%	26.15%	26.15%
Estimated fair value of share option (in Korean won)	10,026	9,613	9,296	16,687	18,362	16,505	17,744	16,888	16,093	11,786	11,786
Dividend yield ratio	1.20%	1.20%	1.20%	0.78%	1.23%	1.36%	1.98%	1.98%	1.98%	2.10%	2.10%
Risk free ratio	1.86%	1.95%	2.07%	2.38%	2.46%	1.89%	1.82%	1.88%	1.91%	1.59%	1.59%

(3) The compensation expense for the six-month period ended June 30, 2020 was ₩782 million (2019: ₩788 million).