

SK hynix Inc. and Subsidiaries

Consolidated Interim Financial Statements

March 31, 2020

SK hynix Inc. and Subsidiaries

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March 31, 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 March 31, 2020, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 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 referred to above 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. Our opinion does not affected by this matter.

Other Matters

The consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2019, presented herein for comparative purposes, were reviewed by another auditor whose report dated May 10, 2019. Based on their review, nothing has come to their attention that causes them to believe the accompanying 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
May 13, 2020

This report is effective as of May 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
March 31, 2020 and December 31, 2019

(In millions of Korean won)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	5,6	₩ 2,169,664	₩ 2,306,070
Short-term financial instruments	5,6,7	356,950	298,350
Short-term investment assets	5,6	2,215,563	1,390,293
Trade receivables, net	5,6,8,32	4,716,880	4,261,674
Loans and other receivables, net	5,6,8,32	45,884	23,508
Inventories, net	9	5,425,680	5,295,835
Current tax assets		191,921	199,805
Other current assets	10	677,217	682,037
Other financial assets		-	30
		<u>15,799,759</u>	<u>14,457,602</u>
Non-current assets			
Investments in associates and joint ventures	11	855,414	768,767
Long-term trade receivables, net	5,6,8	47,281	44,775
Long-term investment assets	5,6,12	4,717,512	4,381,812
Loans and other receivables, net	5,6,8,32	113,260	109,079
Other financial assets	5,6,7,21	34,788	901
Property, plant and equipment, net	13,33	40,516,546	39,949,940
Right-of-use assets, net	14	1,250,799	1,250,576
Intangible assets, net	15	2,549,486	2,571,049
Investment property, net	16	255	258
Deferred tax assets		695,410	670,866
Employee benefit assets	20	1,721	3,406
Other non-current assets	10,33	560,556	580,463
		<u>51,343,028</u>	<u>50,331,892</u>
Total assets		<u>₩ 67,142,787</u>	<u>₩ 64,789,494</u>

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

(In millions of Korean won)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	5,6,32 ₩	962,092 ₩	1,042,542
Other payables	5,6,24,32	2,542,222	2,367,673
Other non-trade payables	5,6,32	946,506	1,257,895
Borrowings	5,6,17,33,34	3,496,167	2,737,770
Provisions	19	12,812	10,701
Current tax liabilities		338,072	89,217
Lease liabilities	14	211,838	205,238
Other current liabilities	18	197,540	162,997
		<u>8,707,249</u>	<u>7,874,033</u>
Non-current liabilities			
Other non-trade payables	5,6,32	20,344	18,266
Borrowings	5,6,17,33,34	8,919,450	7,785,736
Defined benefit liabilities, net	20	139,825	53,624
Deferred tax liabilities		14,896	15,743
Lease liabilities	14	999,110	995,592
Other financial liabilities	21	6,137	15,532
Other non-current liabilities	18	88,052	87,773
		<u>10,187,814</u>	<u>8,972,266</u>
Total liabilities		<u>18,895,063</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	(2,504,332)	(2,504,713)
Accumulated other comprehensive income	23	43,767	(298,935)
Retained earnings	24	42,890,187	42,930,675
Total equity attributable to owners of the Parent Company		<u>48,231,010</u>	<u>47,928,415</u>
Non-controlling interests		<u>16,714</u>	<u>14,780</u>
Total equity		<u>48,247,724</u>	<u>47,943,195</u>
Total liabilities and equity	₩	<u>67,142,787</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 periods ended March 31, 2020 and 2019

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

	Notes	2020 (Unaudited)	2019 (Unaudited)
Revenue	4,25,32	₩ 7,198,892	₩ 6,772,655
Cost of sales	27,32	5,006,819	4,092,455
Gross profit		2,192,073	2,680,200
Selling and administrative expense	26,27,32	1,391,772	1,313,710
Operating profit		800,301	1,366,490
Finance income	28	680,746	358,346
Finance expenses	28	554,787	247,855
Share of profit of equity-accounted investees	11	7,901	4,426
Other income	29	18,248	24,690
Other expenses	29	23,876	26,550
Profit before income tax		928,533	1,479,547
Income tax expense	30	279,483	377,417
Profit for the period		₩ 649,050	₩ 1,102,130
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability, net of tax	20	(4,640)	(5,911)
Items that may be subsequently reclassified to profit or loss:			
Foreign operations – foreign currency translation differences, net of tax	23	320,464	225,544
Loss on valuation of derivatives, net of tax	23	(20,542)	-
Equity-accounted investees – share of other comprehensive income, net of tax	11,23	43,818	17,598
Other comprehensive income for the period, net of tax		339,100	237,231
Total comprehensive income for the period		₩ 988,150	₩ 1,339,361
Profit (loss) attributable to:			
Owners of the Parent Company		₩ 648,154	₩ 1,102,753
Non-controlling interests		896	(623)
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		986,216	1,339,802
Non-controlling interests		1,934	(441)
Earnings per share			
Basic earnings per share (in Korean won)	31	₩ 948	₩ 1,612
Diluted earnings per share (in Korean won)	31	₩ 947	₩ 1,612

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
Three-month periods ended March 31, 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		-	-	-	-	1,102,753	1,102,753	(623)	1,102,130
Remeasurements of defined benefit liability, net of tax	20	-	-	-	-	(5,911)	(5,911)	-	(5,911)
Other comprehensive income of associates, net of tax	11,23	-	-	-	17,598	-	17,598	-	17,598
Foreign currency translation differences for foreign operations, net of tax	23	-	-	-	225,362	-	225,362	182	225,544
Total comprehensive income for the period		-	-	-	242,960	1,096,842	1,339,802	(441)	1,339,361
Transactions with owners of the Parent Company:									
Dividends paid		-	-	-	-	(1,026,003)	(1,026,003)	-	(1,026,003)
Share-based payment transactions	35	-	-	318	-	-	318	-	318
Total transactions with owners of the Parent Company		-	-	318	-	(1,026,003)	(1,025,685)	-	(1,025,685)
Balance at March 31, 2019 (Unaudited)		₩ 3,657,652	₩ 4,143,736	₩ (2,506,133)	₩ (239,859)	₩ 42,104,440	₩ 47,159,836	₩ 6,171	₩ 47,166,007

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Changes in Equity, Continued
Three-month periods ended March 31, 2020 and 2019

	Notes	Attributable to owners of the Parent Company							Non-controlling interests	Total equity
		Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total			
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		-	-	-	-	648,154	648,154	896	649,050	
Remeasurements of defined benefit liability, net of tax	20	-	-	-	-	(4,640)	(4,640)	-	(4,640)	
Other comprehensive income of associate, net of tax	11,23	-	-	-	43,818	-	43,818	-	43,818	
Loss on valuation of derivatives	23	-	-	-	(20,542)	-	(20,542)	-	(20,542)	
Foreign currency translation differences for foreign operations, net of tax	23	-	-	-	319,426	-	319,426	1,038	320,464	
Total comprehensive income for the period		-	-	-	342,702	643,514	986,216	1,934	988,150	
Transactions with owners of the Parent Company:										
Dividends paid	24	-	-	-	-	(684,002)	(684,002)	-	(684,002)	
Share-based payment transactions	35	-	-	381	-	-	381	-	381	
Total transactions with owners of the Parent Company		-	-	381	-	(684,002)	(683,621)	-	(683,621)	
Balance at March 31, 2020 (Unaudited)		₩ 3,657,652	₩ 4,143,736	₩ (2,504,332)	₩ 43,767	₩ 42,890,187	₩ 48,231,010	₩ 16,714	₩ 48,247,724	

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

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Cash Flows
Three-month periods ended March 31, 2020 and 2019

(In millions of Korean won)

	<u>Note</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Cash flows from operating activities			
Cash generated from operating activities	34 ₩	2,434,843	₩ 2,679,234
Interest received		3,010	7,158
Interest paid		(73,609)	(39,580)
Dividends received		282	42
Income tax paid		(32,981)	(16,092)
Net cash inflow from operating activities		<u>2,331,545</u>	<u>2,630,762</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		14,693	5,000
Increase in short-term financial instruments		(72,744)	(450,000)
Decrease (increase) in short-term investment assets, net		(812,605)	459,133
Decrease in loans and other receivables		6,500	672
Increase in loans and other receivables		(9,530)	(28,503)
Proceeds from disposal of long-term investment assets		295	170
Acquisition of long-term investment assets		(63,496)	(29,238)
Decrease in other financial assets		601	-
Increase in other financial assets		(1)	(1,610)
Proceeds from disposal of property, plant and equipment		16,379	323
Acquisition of property, plant and equipment		(2,784,909)	(4,349,571)
Proceeds from disposal of intangible assets		299	183
Acquisition of intangible assets		(153,066)	(148,436)
Acquisition of investments in associates		(34,928)	(113,470)
Net cash outflow from investing activities		<u>(3,892,512)</u>	<u>(4,655,347)</u>
Cash flows from financing activities			
Proceeds from borrowings	34	2,270,984	983,810
Repayments of borrowings	34	(799,512)	(109,224)
Repayments of lease liabilities	34	(54,199)	(67,539)
Net cash inflow from financing activities		<u>1,417,273</u>	<u>807,047</u>
Effects of exchange rate changes on cash and cash equivalents		<u>7,288</u>	<u>20,476</u>
Net decrease in cash and cash equivalents		(136,406)	(1,197,062)
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>2,169,664</u>	₩ <u>1,152,257</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
March 31, 2020(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 March 31, 2020, the shareholders of the Parent Company are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
SK Telecom Co., Ltd.	146,100,000	20.07
National Pension Service and Other investors	537,901,795	73.89
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
March 31, 2020(Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of March 31, 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
March 31, 2020(Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of March 31, 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 are the same as those as of March 31, 2020 and December 31, 2019

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

	March 31, 2020			December 31, 2019		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
(In millions of Korean won)						
SK hynix system ic Inc.	₩ 799,659	₩ 240,555	₩ 559,104	₩ 666,171	₩ 130,880	₩ 535,291
SK hynix America Inc.	2,122,760	1,721,574	401,186	1,801,366	1,436,975	364,391
SK hynix Asia Pte. Ltd.	293,220	198,313	94,907	387,860	298,657	89,203
SK hynix Semiconductor Hong Kong Ltd.	273,029	110,271	162,758	195,262	44,405	150,857
SK hynix U.K. Ltd.	195,372	174,705	20,667	217,160	197,293	19,867
SK hynix Semiconductor Taiwan Inc.	272,339	241,235	31,104	247,671	219,056	28,615
SK hynix Japan Inc.	385,791	309,096	76,695	305,770	235,243	70,527
SK hynix (Wuxi) Semiconductor Sales Ltd.	1,919,761	1,756,723	163,038	1,646,998	1,510,156	136,842
SK hynix Semiconductor (China) Ltd.	10,266,277	5,479,230	4,787,047	9,605,890	4,937,517	4,668,373
SK hynix Semiconductor (Chongqing) Ltd.	847,357	288,130	559,227	837,339	309,283	528,056
HappyNarae Co., Ltd.	135,038	85,378	49,660	186,079	136,257	49,822

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

1. General Information, Continued

(5) Major subsidiaries' summarized statements of comprehensive income (loss) for the three-month periods ended March 31, 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.	₩ 168,535	₩ 25,959	₩ 25,918	₩ 152,944	₩ 12,295	₩ 12,281
SK hynix America Inc.	2,543,359	16,012	16,012	2,119,591	(24,799)	(24,799)
SK hynix Asia Pte. Ltd.	337,299	723	723	460,088	2,997	2,997
SK hynix Semiconductor Hong Kong Ltd.	463,490	2,697	2,697	402,524	3,194	3,194
SK hynix U.K. Ltd.	201,775	(304)	(304)	285,374	(8,170)	(8,170)
SK hynix Semiconductor Taiwan Inc.	432,653	1,064	1,064	328,678	4,036	4,036
SK hynix Japan Inc.	109,757	1,649	1,649	171,903	5,026	5,026
SK hynix (Wuxi) Semiconductor Sales Ltd.	2,690,513	20,485	20,485	2,594,860	10,787	10,787
SK hynix Semiconductor (China) Ltd.	913,550	(65,241)	(65,241)	727,349	44,191	44,191
SK hynix Semiconductor (Chongqing) Ltd.	144,844	9,767	9,767	84,533	7,820	7,820
HappyNarae Co., Ltd.	224,255	(163)	(163)	230,908	1,886	1,886

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

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

March 31, 2020(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 three-month period ended March 31, 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 March 31, 2020.

2.1.1 New and amended standards or interpretations adopted by the Group

The Group has applied the following new and revised IFRS Standards that are effective from 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

There are no new accounting standards and interpretations that have been published that are not mandatory for March 31, 2020 reporting period and have not been early adopted by the Group.

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 for the interim period.

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.

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3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously assessed, considering historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These resulting accounting estimates may differ from the actual results.

The spread of COVID-19 during 2020 is having a significant impact on domestic and global economies. This could have a negative impact on the decline of productivity, decrease or delay in sales or collection of existing receivables and also on the Group's financial position and financial performance, which could continue in its consolidated annual financial statements of 2020.

Significant accounting estimates and assumptions which are used to prepare consolidated interim financial statements can be adjusted according to changes in uncertainty due to COVID-19, and the ultimate impact of COVID-19 on the Group's business, financial status and management performance is currently unpredictable.

Critical accounting estimates and assumptions made in the preparation of these consolidated interim financial statements are consistent with those applied in the preparation of the consolidated annual financial statements for the year ended December 31, 2019, except for the estimates used to determine the 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. The management of the Group reviews the operation result of the semiconductor business for reporting information reviewed during the establishment of the Group's business strategy.

- (1) The Group's non-current assets (excluding financial assets, loans and other receivables, equity-accounted investees and deferred tax assets) information by region based on the location of the Parent Company and its subsidiaries as of March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Korea	₩ 35,125,456	₩ 35,109,665
China	9,304,692	8,814,465
Asia(other than China)	21,768	21,497
U.S.A.	412,704	395,772
Europe	14,744	14,293
	<u>₩ 44,879,364</u>	<u>₩ 44,355,692</u>

- (2) For the three-month period ended March 31, 2020, revenue of ₩1,085,429 million, over 10% of the Group's revenue, are derived from a single external customer A, and for the three-month period ended March 31, 2019, revenues of ₩1,437,218 million and ₩947,401 million, over 10% of the Group's revenue, are derived from a single external customer A and B, respectively.

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5. Carrying Amounts of Financial Instruments by Categories

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

(In millions of Korean won)

				March 31, 2020			
				Financial assets at fair value through profit or loss		Financial assets at amortized cost	Total
Cash and cash equivalents	₩		-	₩	2,169,664	₩	2,169,664
Short-term financial instruments			-		356,950		356,950
Short-term investment assets		2,215,563			-		2,215,563
Trade receivables			-		4,764,161		4,764,161
Loans and other receivables			-		159,144		159,144
Other financial assets		34,459			329		34,788
Long-term investment assets		4,717,512			-		4,717,512
	₩	<u>6,967,534</u>		₩	<u>7,450,248</u>	₩	<u>14,417,782</u>

(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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade payables	₩ -	₩ 962,092	₩ 962,092
Other payables	13,734	2,528,488	2,542,222
Other non-trade payables ¹	-	966,850	966,850
Borrowings	-	12,415,617	12,415,617
Other financial liabilities	6,137	-	6,137
Lease liabilities	-	1,210,948	1,210,948
	<u>₩ 19,871</u>	<u>₩ 18,083,995</u>	<u>₩ 18,103,866</u>

(In millions of Korean won)

	December 31, 2019		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured 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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Current		
Accrued expenses	₩ 946,506	₩ 1,257,895
Non-current		
Long-term accrued expenses	5,832	13,487
Rent deposit payables	14,512	4,779
	<u>₩ 966,850</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 March 31, 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	7,043	₩ 8,611,356	9,027	₩ 11,036,756
JPY	261	2,948	128,967	1,458,401
CNY	1,330	229,397	-	17
EUR	11	14,187	46	62,538

When the exchange rate of the functional currency for each foreign currency fluctuates by 10% as of March 31, 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	₩	(121,042) ₩	121,042
JPY		(145,545)	145,545
CNY		22,938	(22,938)
EUR		(4,835)	4,835

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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 March 31, 2020. The Group has signed a currency interest rate swap contract on floating interest rate borrowings of ₩611,300 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 three-month period ended March 31, 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 three-month period would have been ₩15,337 million(2019: ₩9,217 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 March 31, 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 March 31, 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 March 31, 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 March 31, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	March 31, 2020	December 31, 2019
Total liabilities (A)	₩ 18,895,063	₩ 16,846,299
Total equity (B)	48,247,724	47,943,195
Cash and cash equivalents, and others ¹ (C)	4,742,177	3,994,713
Total borrowings (D)	12,415,617	10,523,506
Debt-to-equity ratio (A/B)	39.16%	35.14%
Net borrowing ratio (D-C)/B	15.90%	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 March 31, 2020 and December 31, 2019:

(In millions of Korean won)

	Carrying amounts	March 31, 2020			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term investment assets	₩ 2,215,563	₩ -	₩ 2,215,563	₩ -	₩ 2,215,563
Other financial assets	34,459	-	34,459	-	34,459
Long-term investment assets	4,717,512	-	-	4,717,512	4,717,512
	<u>6,967,534</u>	<u>-</u>	<u>2,250,022</u>	<u>4,717,512</u>	<u>6,967,534</u>
Financial assets not measured at fair value					
Cash and cash equivalents ¹	2,169,664	-	-	-	-
Short-term financial instruments ¹	356,950	-	-	-	-
Trade receivables ¹	4,764,161	-	-	-	-
Loans and other receivables ¹	159,144	-	-	-	-
Other financial assets ¹	329	-	-	-	-
	<u>7,450,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial asset	<u>₩ 14,417,782</u>	<u>₩ -</u>	<u>₩ 2,250,022</u>	<u>₩ 4,717,512</u>	<u>₩ 6,967,534</u>
Financial liabilities measured at fair value					
Other financial liabilities	₩ 6,137	₩ -	₩ 6,137	₩ -	₩ 6,137
Other payables	13,734	-	-	13,734	13,734
	<u>19,871</u>	<u>-</u>	<u>6,137</u>	<u>13,734</u>	<u>19,871</u>
Financial liabilities not measured at fair value					
Trade payables ¹	962,092	-	-	-	-
Other payables ¹	2,528,488	-	-	-	-
Other non-trade payables ¹	966,850	-	-	-	-
Borrowings	12,415,617	-	12,383,284	-	12,383,284
Lease liabilities ¹	1,210,948	-	-	-	-
	<u>18,083,995</u>	<u>-</u>	<u>12,383,284</u>	<u>-</u>	<u>12,383,284</u>
Total financial liabilities	<u>₩ 18,103,866</u>	<u>₩ -</u>	<u>₩ 12,389,421</u>	<u>₩ 13,734</u>	<u>₩ 12,403,155</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.

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6. Financial Risk Management, Continued

(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	₩ 12,816,492	₩ -	₩ 1,390,293	₩ 4,381,812	₩ 5,772,105
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	₩ 16,426,244	₩ -	₩ 10,600,561	₩ 13,006	₩ 10,613,567

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.

(c) There was no transfer between fair value hierarchy levels for the three-month period ended March 31, 2020. The movements in financial assets classified as level 3 fair value measurements during the three-month period ended March 31, 2020 are as follows:

(In millions of Korean won)

	Beginning Balance	Acquisitor	Disposals	Payments	Profit or loss on valuation	Foreign exchange difference	Ending Balance
Financial assets							
Long-term investment assets	₩ 4,381,812	63,496	(295)	-	-	272,499	4,717,512
Financial liabilities							
Other payables	₩ 13,006	-	-	-	-	728	13,734

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7. Restricted Financial Instruments

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

<i>(In millions of Korean won)</i>	March 31, 2020	December 31, 2019	Description
Short-term financial instruments	₩ 227,500 6,785 <u>234,285</u>	₩ 227,500 6,381 <u>233,881</u>	Restricted for supporting small businesses Pledged for consumption tax
Other financial assets	11 281 <u>292</u>	11 269 <u>280</u>	Bank overdraft guarantee deposit Others
	₩ <u>234,577</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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Current		
Other receivables	₩ 30,433	₩ 11,104
Accrued income	3,791	2,043
Short-term loans	7,436	6,816
Short-term guarantee and other deposits	4,224	3,545
	<u>45,884</u>	<u>23,508</u>
Non-current		
Long-term other receivables	2	2
Long-term loans	36,437	35,299
Guarantee deposits	76,580	73,550
Others	241	228
	<u>113,260</u>	<u>109,079</u>
	<u>₩ 159,144</u>	<u>₩ 132,587</u>

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

(In millions of Korean won)

	March 31, 2020		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 4,764,170	₩ (9)	₩ 4,764,161
Current loans and other receivables	47,163	(1,279)	45,884
Non-current loans and other receivables	114,482	(1,222)	113,260
	<u>₩ 4,925,815</u>	<u>₩ (2,510)</u>	<u>₩ 4,923,305</u>

(In millions of Korean won)

	December 31, 2019		
	Gross amount	Provision for impairment	Carrying amount
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 three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 9	₩ 48
Foreign exchange difference	-	-
Ending balance	<u>₩ 9</u>	<u>₩ 48</u>

Changes in the provision for impairment of current loans and other receivables for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,280	₩ 1,323
Reversal	(1)	(1)
Foreign exchange difference	-	2
Ending balance	<u>₩ 1,279</u>	<u>₩ 1,324</u>

Movements in the provision for impairment of non-current loans and other receivables for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,162	₩ 1,117
Foreign exchange difference	60	18
Ending balance	<u>₩ 1,222</u>	<u>₩ 1,135</u>

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9. Inventories

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

(In millions of Korean won)

	March 31, 2020		
	Acquisition cost	Inventory valuation allowance	Carrying amount
Merchandise	₩ 3,186	₩ (13)	₩ 3,173
Finished goods	1,023,734	(161,977)	861,757
Work-in-process	3,545,312	(266,316)	3,278,996
Raw materials	680,708	(11,055)	669,653
Supplies	569,477	(24,831)	544,646
Goods in transit	67,455	-	67,455
	<u>₩ 5,889,872</u>	<u>₩ (464,192)</u>	<u>₩ 5,425,680</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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Current		
Advance payments	₩ 64,235	₩ 64,429
Prepaid expenses	259,453	218,365
Value added tax refundable	293,561	343,434
Contract assets	59,873	55,715
Others	95	94
	<u>677,217</u>	<u>682,037</u>
Non-current		
Long-term advance payments	33,696	44,746
Long-term prepaid expenses	526,860	535,717
	<u>560,556</u>	<u>580,463</u>
	<u>₩ 1,237,773</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.	U.S.A	Development and manufacturing semiconductor
	SK China Company Limited	China	Consulting and investment
	Gemini Partners Pte. Ltd.	Singapore	Consulting
	TCL Fund	China	Investment
	SK South East Asia Investment Pte. Ltd.	Singapore	Consulting and investment
	Hushan Xinju (Chengdu) Venture Investment Center(Smartsources)	China	Venture Capital
	Prume Social Farm, Co., Ltd.	Korea	Growing crops
Joint venture	Wuxi xinfu IC industry park., Ltd.	China	Developing Science-Technological Park
	HITECH Semiconductor (Wuxi) Co., Ltd.	China	Manufacturing semiconductor parts
	Hystars Semiconductor (Wuxi) Co., Ltd.	China	Foundry factory construction

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

(In millions of Korean won)

Type	Investee	March 31, 2020			December 31, 2019		
		Ownership (%)	Net asset value	Carrying amount	Ownership (%)	Carrying amount	
Associate	Stratio, Inc. ¹	9.12	₩ 94	₩ 399	9.12	₩ 395	
	SK China Company Limited ²	11.87	224,887	277,237	11.87	259,272	
	Gemini Partners Pte. Ltd.	20.00	2,689	2,689	20.00	2,735	
	TCL Fund ¹	10.62	7,056	7,389	11.06	4,995	
	SK South East Asia Investment Pte. Ltd.	20.00	252,301	252,301	20.00	237,599	
	Hushan Xinju (Chengdu) Venture Investment Center (Smartsources) ²	16.67	8,391	8,391	16.67	5,659	
	Prume Social Farm, Co., Ltd. ³	31.95	421	973	31.95	1,000	
	Wuxi xinfu IC industry park., Ltd. ⁴	30.00	517	517	-	-	
	Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	45.00	127,648	127,648	45.00	114,518
		Hystars Semiconductor (Wuxi) Co., Ltd. ⁵	50.10	176,274	177,870	50.10	142,594
			₩ <u>800,278</u>	₩ <u>855,414</u>		₩ <u>768,767</u>	

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 The 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 three-month period ended March 31, 2020.

⁴ The Group acquired 30.00% of ownership in Wuxi xinfu IC industry park., Ltd. during the three-month period ended March 31, 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 categorized Hystars Semiconductor(Wuxi) Co., Ltd. as a joint venture although the Group's ownership percentage exceeds 50%, as it is stipulated by the contract to be unanimously resolved on important matters.

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11. Investments in Associates and Joint Ventures, Continued

(3) Changes in investments in associates and a joint ventures for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020					
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 395	₩ -	₩ -	₩ 4	₩ -	₩ 399
SK China Company Limited	259,272	-	1,874	16,091	-	277,237
Gemini Partners Pte. Ltd.	2,735	-	(40)	(6)	-	2,689
TCL Fund	4,995	2,141	41	212	-	7,389
SK South East Asia Investment Pte. Ltd.	237,599	-	1,338	13,364	-	252,301
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources)	5,659	2,565	(81)	248	-	8,391
Prume Social Farm, Co., Ltd.	1,000	-	(27)	-	-	973
Wuxi xinfu IC industry park., Ltd.	-	538	-	(21)	-	517
HITECH Semiconductor (Wuxi) Co., Ltd.	114,518	-	5,190	7,940	-	127,648
Hystars Semiconductor (Wuxi) Co., Ltd.	142,594	29,684	(394)	5,986	-	177,870
	₩ <u>768,767</u>	₩ <u>34,928</u>	₩ <u>7,901</u>	₩ <u>43,818</u>	₩ <u>-</u>	₩ <u>855,414</u>

(In millions of Korean won)

	2019					
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 2,079	₩ -	₩ (10)	₩ 1	₩ -	₩ 2,070
SK China Company Limited	246,052	-	2,644	10,003	-	258,699
Gemini Partners Pte. Ltd.	2,601	-	(62)	63	-	2,602
TCL Fund	3,464	-	-	127	(9)	3,582
SK South East Asia Investment Pte. Ltd.	111,810	113,470	(207)	2,273	-	227,346
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources)	3,241	-	(19)	119	-	3,341
HITECH Semiconductor (Wuxi) Co., Ltd.	109,708	-	3,029	2,018	-	114,755
Hystars Semiconductor (Wuxi) Co., Ltd.	83,239	-	(949)	2,994	-	85,284
	₩ <u>562,194</u>	₩ <u>113,470</u>	₩ <u>4,426</u>	₩ <u>17,598</u>	₩ <u>(9)</u>	₩ <u>697,679</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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 654	₩ 647	₩ 211	₩ -
SK China Company Limited	651,325	1,523,310	79,366	200,063
Gemini Partners Pte. Ltd.	6,675	6,909	122	19
TCL Fund	6,904	62,939	3,388	-
SK South East Asia Investment Pte. Ltd.	107,351	2,082,707	1,794	-
Hushan Xinju (Chengdu) Venture Investment Center(Smartsource)	17,955	32,410	15	-
Prume Social Farm, Co., Ltd.	700	618	1	-
Wuxi xinfu IC industry park., Ltd.	1,724	-	-	-
HITECH Semiconductor (Wuxi) Co., Ltd.	347,501	445,414	174,254	335,000
Hystars Semiconductor (Wuxi) Co., Ltd.	120,647	478,701	13,344	234,160

(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 three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Revenue	Profit (loss) for the period	Revenue	Profit (loss) for the period
Stratio, Inc.	₩ 19	₩ -	₩ 7	₩ (114)
SK China Company Limited	47,701	15,794	49,310	22,279
Gemini Partners Pte. Ltd.	-	(200)	-	(309)
TCL Fund	-	483	-	2
SK South East Asia Investment Pte. Ltd.	-	6,690	-	(1,033)
Hushan Xinju (Chengdu) Venture Investment Center(Smartsource)	-	(487)	-	(42)
Prume Social Farm, Co., Ltd.	-	(85)	-	-
HITECH Semiconductor (Wuxi) Co., Ltd.	162,610	14,427	168,672	6,731
Hystars Semiconductor (Wuxi) Co., Ltd.	-	(787)	-	(1,894)

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12. Long-term investment assets

Changes in the carrying amount of long-term investment assets for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 4,381,812	₩	4,325,550
Acquisition	63,496		29,251
Disposal	(295)		(170)
Profit and loss on valuation	-		(13)
Foreign exchange difference	272,499		63,915
Ending balance	<u>₩ 4,717,512</u>	₩	<u>4,418,533</u>

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the three-month periods ended March 31, 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	2,307,821		3,058,891
Disposal and retirement	(8,476)		(2,353)
Transfer	2,686		-
Depreciation	(2,069,608)		(1,750,151)
Foreign exchange difference	334,183		199,166
Ending balance	<u>₩ 40,516,546</u>	₩	<u>36,385,101</u>

(2) Certain property, plant and equipment are pledged as collaterals for borrowings of the Group as of March 31, 2020 (Note 33).

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14. Leases

(1) Changes in right-of-use assets for the three-month periods ended March 31, 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	25,856		3,838
Depreciation	(51,252)		(66,710)
Foreign exchange difference	25,619		14,607
Ending balance	<u>₩ 1,250,799</u>	₩	<u>1,140,039</u>

(2) Changes in lease liabilities for the three-month periods ended March 31, 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	-		1,192,094
Beginning balance after transition adjustments	1,200,830		1,192,094
Acquisition	25,673		3,678
Interest expenses	6,638		6,447
Payments	(55,578)		(68,156)
Foreign exchange difference	33,385		19,785
Ending balance	<u>₩ 1,210,948</u>	₩	<u>1,153,848</u>

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15. Intangible Assets

(1) Changes in intangible assets for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 2,571,049	₩ 2,678,770
Acquisition	153,066	148,436
Disposal and retirement	(1,509)	(1,674)
Amortization	(190,160)	(221,098)
Impairment	-	(70)
Transfer	(2,686)	-
Foreign exchange difference and other	19,726	7,231
Ending balance	<u>₩ 2,549,486</u>	<u>₩ 2,611,595</u>

(2) Among costs associated with development activities, ₩60,148 million that met capitalization criteria, were capitalized as development cost for the three-month period ended March 31, 2020 (2019: ₩89,478 million). In addition, costs associated with research activities and other development expenditures that did not meet the criteria amounting to ₩754,965 million were recognized as expenses for the three-month period ended March 31, 2020 (2019: ₩653,973 million).

16. Investment Property

(1) Changes in investment property for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 258	₩ 1,400
Depreciation	(3)	(16)
Ending balance	<u>₩ 255</u>	<u>₩ 1,384</u>

(2) The depreciation expense of ₩3 million was charged to cost of sales for the three-month period ended March 31, 2020 (2019: ₩16 million).

(3) Rental income from investment property during the three-month period ended March 31, 2020 was ₩2 million (2019: ₩59 million).

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17. Borrowings

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

<i>(In millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current		
Short-term borrowings	₩ 1,371,731	₩ 1,168,354
Current portion of long-term borrowings	1,634,673	1,259,593
Current portion of debentures	489,763	309,823
	<u>3,496,167</u>	<u>2,737,770</u>
Non-current		
Long-term borrowings	5,265,337	5,040,371
Debentures	3,654,113	2,745,365
	<u>8,919,450</u>	<u>7,785,736</u>
	<u>₩ 12,415,617</u>	<u>₩ 10,523,506</u>

18. Other Current and Non-current Liabilities

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

<i>(In millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current		
Advance receipts	₩ 19,930	₩ 9,901
Unearned income	265	190
Withholdings	81,385	59,186
Deposits received	2,301	1,341
Contract liabilities	90,000	86,999
Others	3,659	5,380
	<u>197,540</u>	<u>162,997</u>
Non-current		
Other long-term employee benefits	83,152	82,873
Long-term advance receipts	4,900	4,900
	<u>88,052</u>	<u>87,773</u>
	<u>₩ 285,592</u>	<u>₩ 250,770</u>

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19. Provisions

(1) Changes in provisions for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020				
	Beginning Balance	Increase	Utilization	Reversal	Ending Balance
Warranty	₩ 4,081	₩ -	₩ (29)	₩ (1,578)	₩ 2,474
Emission allowances	6,620	3,718	-	-	10,338
	<u>₩ 10,701</u>	<u>₩ 3,718</u>	<u>₩ (29)</u>	<u>₩ (1,578)</u>	<u>₩ 12,812</u>

(In millions of Korean won)

	2019				
	Beginning Balance	Increase	Utilization	Reversal	Ending Balance
Warranty	₩ 3,992	₩ -	₩ (206)	₩ (671)	₩ 3,115
Legal claims	5,881	-	(5,881)	-	-
Emission allowances	46,335	17,691	-	-	64,026
	<u>₩ 56,208</u>	<u>₩ 17,691</u>	<u>₩ (6,087)</u>	<u>₩ (671)</u>	<u>₩ 67,141</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 March 31, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Present value of defined benefit obligations	₩ 1,999,277	₩ 1,936,868
Fair value of plan assets	(1,861,173)	(1,886,650)
Net defined benefit liabilities	₩ 138,104	₩ 50,218
Defined benefit liabilities	₩ 139,825	₩ 53,624
Defined benefit assets ¹	₩ (1,721)	₩ (3,406)

¹ The Parent Company's fair value of plan assets in excess of the present value of defined benefit obligations, presented as defined benefit assets, amounted to ₩1,720 million and 3,406 million as of March 31, 2020 and December 31, 2019, respectively.

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

	March 31, 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 three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,936,868	₩ 1,609,055
Current service cost	65,065	54,369
Interest cost	16,172	14,898
Transferred from associates	383	2,287
Benefits paid	(19,281)	(12,955)
Others	70	10
Ending balance	₩ 1,999,277	₩ 1,667,664

(4) Changes in plan assets for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,886,650	₩ 1,608,832
Interest income	15,721	15,123
Transferred from associates	378	3,120
Benefits paid	(36,943)	(17,447)
Remeasurements	(4,640)	(5,912)
Others	7	-
Ending balance	₩ 1,861,173	₩ 1,603,716

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20. Defined Benefit Liabilities, Continued

(5) The amounts recognized in profit or loss for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Current service cost	₩ 65,065	₩ 54,369
Net interest expenses(income)	451	(225)
	<u>₩ 65,516</u>	<u>₩ 54,144</u>

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

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Deposits	₩ 1,859,211	₩ 1,884,630
Other	1,962	2,020
	<u>₩ 1,861,173</u>	<u>₩ 1,886,650</u>

Actual return on plan assets for the three-month periods ended March 31, 2020 and 2019 amounted to ₩11,081 million and ₩9,211 million, respectively.

(7) Contributions to defined contribution plans amounting to ₩227 million (2019: ₩101 million) was recognized as cost of sales for the three-month period ended March 31, 2020.

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21. Derivative Financial Instruments

(1) Details of derivative financial instruments applying cash flow hedge accounting as of March 31, 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 March 31, 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)	₩ 34,459	₩ 34,459
			<u>₩ 34,459</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)	₩ 4,031	₩ 4,031
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	1,626	1,626
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	480	480
			<u>₩ 6,137</u>

As of March 31, 2020, changes of fair value of the derivative is recognized in other comprehensive income 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 W5,000 as of March 31, 2020. The number of shares issued, common stock, capital surplus and other capital as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won and thousands of shares)

	March 31, 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	4,095	3,714
	<u>₩ (2,504,332) ₩</u>	<u>(2,504,713)</u>
Number of treasury shares	44,001	44,001

¹ As of March 31, 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 March 31, 2020 and December 31, 2019.

23. Accumulated Other Comprehensive Income

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

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Equity-accounted investees – share of other comprehensive income	₩ 47,096	₩ 3,278
Foreign operations – foreign currency translation differences	4,460	(314,966)
Gain(loss) on valuation of derivatives	(7,790)	12,753
	<u>₩ 43,766</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 three-month periods ended March 31, 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	₩ 43,818	₩ 47,096
Foreign operations – foreign currency translation differences	(314,966)	319,426	4,460
Gain(loss) on valuation of derivatives	12,753	(20,543)	(7,790)
	<u>₩ (298,935)</u>	<u>₩ 342,701</u>	<u>₩ 43,766</u>

(In millions of Korean won)

	2019		
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive income (loss)	₩ (18,166)	₩ 17,598	₩ (568)
Foreign operations – foreign currency translation differences	(464,653)	225,362	(239,291)
	<u>₩ (482,819)</u>	<u>₩ 242,960</u>	<u>₩ (239,859)</u>

24. Retained Earnings

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

(In millions of Korean won)

	March 31, 2020	December 31, 2019
Legal reserve ¹	₩ 349,955	₩ 281,555
Discretionary reserve ²	235,506	235,506
Unappropriated retained earnings ³	42,304,726	42,413,614
	<u>₩ 42,890,187</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 dividends payables are included in other payables as of March 31, 2020.

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25. Revenue

(1) Details of the Group's revenue for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Sale of goods	₩ 7,183,195	₩	6,753,808
Providing services	15,697		18,847
	<u>₩ 7,198,892</u>	₩	<u>6,772,655</u>

(2) Details of the Group's revenue by product and service types for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
DRAM	₩ 5,079,682	₩	5,353,137
NAND Flash	1,736,723		1,155,316
Other	382,487		264,202
	<u>₩ 7,198,892</u>	₩	<u>6,772,655</u>

(3) The Group's revenue information by region based on the location of selling entities for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Korea	₩ 336,211	₩	209,498
China	3,170,750		3,158,068
Taiwan	430,185		327,918
Asia (other than China and Taiwan)	446,874		630,369
U.S.A.	2,526,219		2,097,673
Europe	288,653		349,129
	<u>₩ 7,198,892</u>	₩	<u>6,772,655</u>

(4) Details of the Group's revenue by the timing of revenue recognition during the three-month periods ended March 31, 2020 and 2019 is as follows:

(In millions of Korean won)

	2020		2019
Performance obligations satisfied at a point in time	₩ 7,183,195	₩	6,753,808
Performance obligations satisfied over time	15,697		18,847
	<u>₩ 7,198,892</u>	₩	<u>6,772,655</u>

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26. Selling and Administrative Expenses

Selling and administrative expenses for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	<u>2020</u>	<u>2019</u>
Selling and Administrative Expenses:		
Salaries	₩ 140,221	₩ 147,407
Defined benefit plan	13,698	11,452
Employee benefits	38,260	34,611
Commission	111,259	106,331
Depreciation	58,718	47,714
Amortization	158,714	196,784
Freight and custody charge	11,477	7,954
Legal cost	5,118	7,839
Rental	2,251	1,228
Taxes and dues	13,569	16,084
Training	14,432	11,872
Advertising	13,550	11,418
Utilities	3,996	3,424
Supplies	20,434	15,191
Repair	3,456	5,229
Travel and transportation	2,255	4,127
Others	25,399	31,072
	<u>636,807</u>	<u>659,737</u>
Research and development:		
Expenditure on research and development	815,113	743,451
Development cost capitalized	(60,148)	(89,478)
	<u>754,965</u>	<u>653,973</u>
	<u>₩ 1,391,772</u>	<u>₩ 1,313,710</u>

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27. Expenses by Nature

Nature of expenses for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Changes in finished goods and work-in-process	₩ (93,557)	₩ (574,123)
Raw materials and consumables	1,745,566	1,510,770
Labor costs	898,052	937,898
Depreciation and amortization	2,305,660	2,013,112
Royalty	20,104	34,092
Commission	523,361	490,269
Utilities	363,735	323,976
Repair	233,459	263,303
Outsourcing	305,767	290,826
Other	96,444	116,042
Total¹	₩ 6,398,591	₩ 5,406,165

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 periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Finance income		
Interest income	₩ 4,738	₩ 11,306
Dividend income	282	42
Foreign exchange differences ¹	663,093	320,219
Gain on valuation of short-term investment assets	5,572	20,737
Gain on disposal of short-term investment assets	7,061	6,042
	<u>680,746</u>	<u>358,346</u>
Finance expenses		
Interest expenses	71,148	41,070
Foreign exchange differences	483,639	206,772
Loss on valuation of long-term investment assets	-	13
	<u>554,787</u>	<u>247,855</u>
Net finance expense	₩ 125,959	₩ 110,491

¹ For the three-month period ended March 31, 2020, the foreign exchange difference of long-term investment assets amounting to ₩272,499 million is included.

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29. Other Income and Expenses

(1) Other income for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	<u>2020</u>	<u>2019</u>
Gain on disposal of property, plant and equipment	₩ 8,087	₩ 202
Gain on disposal of intangible asset	122	-
Other	10,039	24,488
	<u>₩ 18,248</u>	<u>₩ 24,690</u>

(2) Other expenses for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	<u>2020</u>	<u>2019</u>
Loss on disposal of property, plant and equipment	₩ 916	₩ 2,184
Loss on disposal of intangible assets	1,332	1,491
Impairment of intangible assets	-	70
Loss on disposal of trade receivables	2,403	1,609
Donation	10,693	4,557
Other	8,532	16,639
	<u>₩ 23,876</u>	<u>₩ 26,550</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 during the three-month periods.

(1) Basic earnings per share for the three-month periods ended March 31, 2020 and 2019 are as follows:

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

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Parent Company	₩ 648,154	₩ 1,102,753
Weighted average number of outstanding ordinary shares ¹	684,001,795	684,001,795
Basic earnings per share (in Korean won)	<u>₩ 948</u>	<u>₩ 1,612</u>

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

(In shares)

	<u>2020</u>	<u>2019</u>
Outstanding ordinary shares	728,002,365	728,002,365
Treasury shares	(44,000,570)	(44,000,570)
Weighted average number of outstanding ordinary shares	<u>684,001,795</u>	<u>684,001,795</u>

(2) Diluted earnings per share for the three-month periods ended March 31, 2020 and 2019 are as follows:

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

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Parent Company	₩ 648,154	₩ 1,102,753
Weighted average number of diluted outstanding ordinary shares ¹	684,144,285	684,066,765
Diluted earnings per share (in Korean won)	<u>₩ 947</u>	<u>₩ 1,612</u>

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

(In shares)

	<u>2020</u>	<u>2019</u>
Weighted average number of outstanding ordinary shares	684,001,795	684,001,795
Share options	142,490	64,970
Weighted average number of diluted outstanding ordinary shares	<u>684,144,285</u>	<u>684,066,765</u>

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32. Transactions with Related Parties and Others

(1) Details of related parties as of March 31, 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.
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd., Hystars Semiconductor (Wuxi) Co., Ltd.
Other related parties	SK Telecom Co., Ltd., which has significant influence over the Group, SK Holdings Co., Ltd., which has control over SK Telecom Co., Ltd., and its subsidiaries

(2) Significant transactions for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	Company	2020		
		Operating revenue and others	Operating expense and others	Asset acquisition
Associate	SK China Company Limited	₩ 2	₩ 700	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	2,132	165,540	80
	Hystars Semiconductor (Wuxi) Co., Ltd.	77	-	-
Other related parties	SK Telecom Co., Ltd. ¹	13,196	155,084	2,303
	SK Holdings Co., Ltd. ²	5,297	56,904	73,521
	ESSENCORE Limited	215,466	-	-
	SK Engineering & Construction Co., Ltd.	13,942	-	345,422
	SK Energy Co., Ltd.	11,952	26,934	-
	SK Networks Co., Ltd.	1,956	3,016	-
	SKC Solmics Co., Ltd.	130	23,818	-
	Chungcheong energy service Co., Ltd.	9	9,714	-
	SK Materials Co., Ltd.	954	22,198	-
	SK Siltron Co., Ltd.	8,044	97,207	-
	SK Airgas Co., Ltd.	26	18,104	-
	Others	35,953	134,937	17,688
		₩ 309,136	₩ 714,156	₩ 439,014

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

² For the three-month period ended March 31, 2020, royalty paid for the use of the SK brand amounted to ₩13,544 million.

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32. Transactions with Related Parties and Others, Continued

(2) Significant transactions with related parties for the three-month periods ended March 31, 2020 and 2019 are as follows, Continued:

(In millions of Korean won)

		2019		
Company		Operating revenue and others	Operating expense and others	Asset acquisition
Associate	SK China Company Limited	₩ 4	₩ 2,281	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	1,100	168,500	-
	Hystars Semiconductor (Wuxi) Co., Ltd.	186	-	-
Other related parties	SK Telecom Co., Ltd. ¹	23,672	226,032	3,555
	SK Holdings Co., Ltd. ²	7,705	60,567	39,031
	ESSENCORE Limited	176,061	-	-
	SK Engineering & Construction Co., Ltd.	13,415	-	85,184
	SK Energy Co., Ltd.	7,576	24,899	-
	SK Networks Co., Ltd.	2,574	2,540	-
	SKC Solmics Co., Ltd.	219	19,715	627
	Chungcheong energy service Co., Ltd.	6	10,718	-
	SK Materials Co., Ltd.	1,077	19,060	-
	SK Siltron Co., Ltd.	8,380	106,199	-
	SK Airgas Co., Ltd.	-	17,414	-
	Others	28,896	122,857	4,001
		<u>₩ 270,871</u>	<u>₩ 780,782</u>	<u>₩ 132,398</u>

¹ Operating expense and others include dividend payments of ₩219,200 million.

² For the three-month period ended March 31, 2019, royalty paid for the use of the SK brand amounted to ₩20,537 million.

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32. Transactions with Related Parties and Others, Continued

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

(In millions of Korean won)

		March 31, 2020	
Company		Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ -	₩ 2,430
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	496	114,554
	Hystars Semiconductor (Wuxi) Co., Ltd.	12	-
Other related parties	SK Telecom Co., Ltd.	562	156,905
	SK Holdings Co., Ltd.	2,876	171,701
	ESSENCORE Limited	82,327	-
	SK Engineering & Construction Co., Ltd.	7,558	508,119
	SK Energy Co., Ltd.	1,476	23,091
	SK Networks Co., Ltd.	291	15,788
	SKC solmics Co., Ltd.	49	19,183
	Chungcheong energy service Co., Ltd.	-	2,852
	SK Materials Co., Ltd.	418	8,947
	SK Siltron Co., Ltd. ¹	85,450	44,740
	SK Airgas Co., Ltd.	3	272,182
	Others	16,776	89,815
		₩ 198,294	₩ 1,430,307

¹ Trade receivable and others include ₩81,774 million of advance paid for the purchase of wafers (See 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 (See 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 periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Salaries	₩ 1,400	₩ 1,932
Defined benefit plan related expenses	136	102
Share-based payment	299	47
	<u>₩ 1,835</u>	<u>₩ 2,081</u>

(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 periods ended March 31, 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)

		2020			
Company		Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Companies in the Conglomerate	SK Chemicals Co., Ltd.	₩ 2,340	₩ 390	₩ -	₩ -
	SK Bioscience Co., Ltd.	313	-	-	-
	ANTS Co., Ltd.	1	1,068	-	-
	Others	1,549	-	-	-
		<u>₩ 4,203</u>	<u>₩ 1,458</u>	<u>₩ -</u>	<u>₩ -</u>

(In millions of Korean won)

		2019			
Company		Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Companies in the Conglomerate	SK Discovery Co., Ltd.	₩ 108	₩ -	₩ -	₩ -
	SK Chemicals Co., Ltd.	2,120	368	-	-
	SK Bioscience Co., Ltd.	957	1	-	-
	ANTS Co., Ltd.	2	3,334	-	-
	<u>₩ 3,187</u>	<u>₩ 3,703</u>	<u>₩ -</u>	<u>₩ -</u>	

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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 March 31, 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)

		March 31, 2020	
Company		Trade receivables and others	Other payables and others
Companies in the Conglomerate	SK Chemicals Co., Ltd.	₩ 946	₩ 122
	SK Bioscience Co., Ltd	156	-
	ANTS Co., Ltd.	-	193
	Others	205	-
		<u>₩ 1,307</u>	<u>₩ 315</u>

(In millions of Korean won)

		December 31, 2019	
Company		Trade receivables and others	Other payables and others
Companies in the Conglomerate	SK Chemicals Co., Ltd.	₩ 886	₩ 114
	SK Bioscience Co., Ltd	177	20
	ANTS Co., Ltd.	1	942
	Others	645	-
		<u>₩ 1,709</u>	<u>₩ 1,076</u>

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33. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of March 31, 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 patent.

The U.S. ITC has decided on April 7, 2020 regarding the lawsuit filed on October 31, 2017 that the Parent Company and its subsidiary, SK hynix America Inc. and SK hynix memory solutions America Inc., did not infringe on the patents of Netlist; however, Netlist filed an appeal with the U.S. Federal Court on April 29, 2020.

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 for infringement of U.S. patent of Netlist. As of March 31, 2020, the litigation value has not been determined and the final result 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 March 31, 2020, the Group is unable to 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 March 31, 2020, the Group is unable to 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 a liability 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 royalties are expensed over the contract period using the straight-line method.

(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 equipments.

(5) Assets provided as collateral

Details of assets provided as collateral as of March 31, 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	58,691	USD	52	64,034	Borrowings for equipment and others
			KRW	-	8,854	
Machinery	KRW	5,768,329	USD	6,724	8,221,082	
			KRW	-	600,000	
			USD	6,776	8,285,116	
			KRW	5,827,020	KRW	

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33. Commitments and Contingencies, Continued

(6) Financing agreements

Details of credit lines with financial institutions as of March 31, 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	375
		Commitment as form of issuance for commercial paper	KRW	400,000
		Comprehensive limit contract for import and export including usance	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
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
Domestic subsidiaries	Hana Bank and others	Finance secured by accounts receivables	KRW	53,820
		Agent agreement for payment of goods received	KRW	12,500

(7) Details of guarantees provided to others as of March 31, 2020 are as follows:

(In millions of foreign currencies)

	Currency	Amount	Remark
Taiwan Semiconductor Manufacturing Company, Limited. ¹	USD	60	Guarantees for supply agreement
Wuxi Xinfu Group Co., Ltd. ²	RMB	702	Guarantees for borrowing

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

² The Group provides payment guarantee to Wuxi Xinfu Group Co., Ltd. for borrowings and accrued interests 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 March 31, 2020 are ₩1,403,918 million (as of December 31, 2019: ₩232,387 million).

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33. Commitments and Contingencies, Continued

(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 in 2017. The advanced payment used in connection with the purchase of wafer during the current period is ₩14,442 million, and the balance of the advance payment as of March 31, 2020 is ₩81,774 million. Meanwhile, SK Siltron Co., Ltd. has committed to providing a certain portion of its investment assets as collateral to secure the advanced payment.

(10) Investment in KIOXIA Holdings Corporation (“KIOXIA”)

In regards 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 and net cash inflow from operating activities for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Profit for the period	₩ 649,050	₩ 1,102,130
Adjustment		
Income tax expense	279,483	377,417
Defined benefit plan	65,517	54,144
Depreciation of property, plant and equipment	2,069,608	1,750,151
Depreciation of investment property	3	16
Amortization	190,160	221,098
Depreciation of right-of-use assets	51,252	66,710
Compensation expense associated with share options	381	318
Loss on disposal of property, plant and equipment	916	2,184
Loss on disposal of intangible assets	1,332	1,491
Impairment of intangible assets	-	70
Interest expense	71,148	41,070
Loss on foreign currency translation	321,415	85,781
Loss on valuation of long-term investment assets	-	13
Gain on equity method investments, net	(7,901)	(4,426)
Gain on disposal of property, plant and equipment	(8,087)	(202)
Gain on disposal of intangible assets	(122)	-
Gain on valuation of short-term investment assets	(5,572)	(20,737)
Gain on disposal of short-term investment assets	(7,061)	(6,042)
Interest income	(4,738)	(11,306)
Gain on foreign currency translation	(358,135)	(149,801)
Others, net	2,105	1,371
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(166,515)	1,061,463
Increase in loans and other receivables	(2,880)	(4,855)
Increase in inventories	(94,380)	(670,841)
Decrease in other assets	33,421	1,256
Decrease in trade payables	(297,717)	(318,091)
Decrease in other payables	(65,449)	(31,410)
Decrease in other non-trade payables	(319,907)	(906,108)
Increase in provisions	2,108	10,952
Increase in other liabilities	35,541	28,545
Payment of defined benefit liabilities	(133)	(3,127)
Cash generated from operating activities	₩ <u>2,434,843</u>	₩ <u>2,679,234</u>

(2) Details of significant transactions without inflows and outflows of cash for the three-month periods ended March 31, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Increase in other payables related to dividends	₩ 684,002	₩ 1,026,003
Decrease in other payables related to property, plant and equipment	(491,429)	(1,297,794)

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34. Cash Flows, Continued

(3) Changes in liabilities arising from financial activities for the three-month periods ended March 31, 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	2,270,984	983,810
- Repayments of borrowings	(799,513)	(109,224)
- Repayments of lease liabilities	(54,199)	(67,539)
Increase of lease liabilities	25,673	-
Foreign currency differences and others	452,945	81,700
Present value discount (interest expense)	7,718	6,857
Interest paid	(1,379)	(617)
Ending balance	<u>₩ 13,626,565</u>	<u>₩ 7,300,861</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 Group granted equity-settled share options to the Group's key management during the three-month period ended March 31, 2020 and the details of the share options as of March 31, 2020 are as follows:

(In shares)

	Total numbers of share option granted	Forfeited or Cancelled	Exercised	Outstanding at March 31, 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 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 three-month period ended March 31, 2020 was ₩381 million (2019: ₩318 million).