



FY2022 Q3 Earnings

2022. 10. 26 | Investor Relations

Disclaimer

Review of the FY2022 Q3 financial results has not been finalized.
Figures in this earnings release are subject to changes during
the independent auditing process.

All financial information contained in this document is based on consolidated K-IFRS.

This material contains forward-looking statements which can be subject to certain
risks and uncertainties that could cause actual results to differ materially.



Financial Results

FY2022 Q3

We Do Technology
첨단기술의 중심, 더 나은 세상을 만듭니다

Revenue Analysis

DRAM

B/G Mid Single% ↓
ASP Around 20% ↓

Expanded sales to
new MO products & DCs

NAND

B/G Low Teen% ↓
ASP Over 20% ↓

Excluding Solidigm,

B/G High Single% ↓
ASP Over 20% ↓

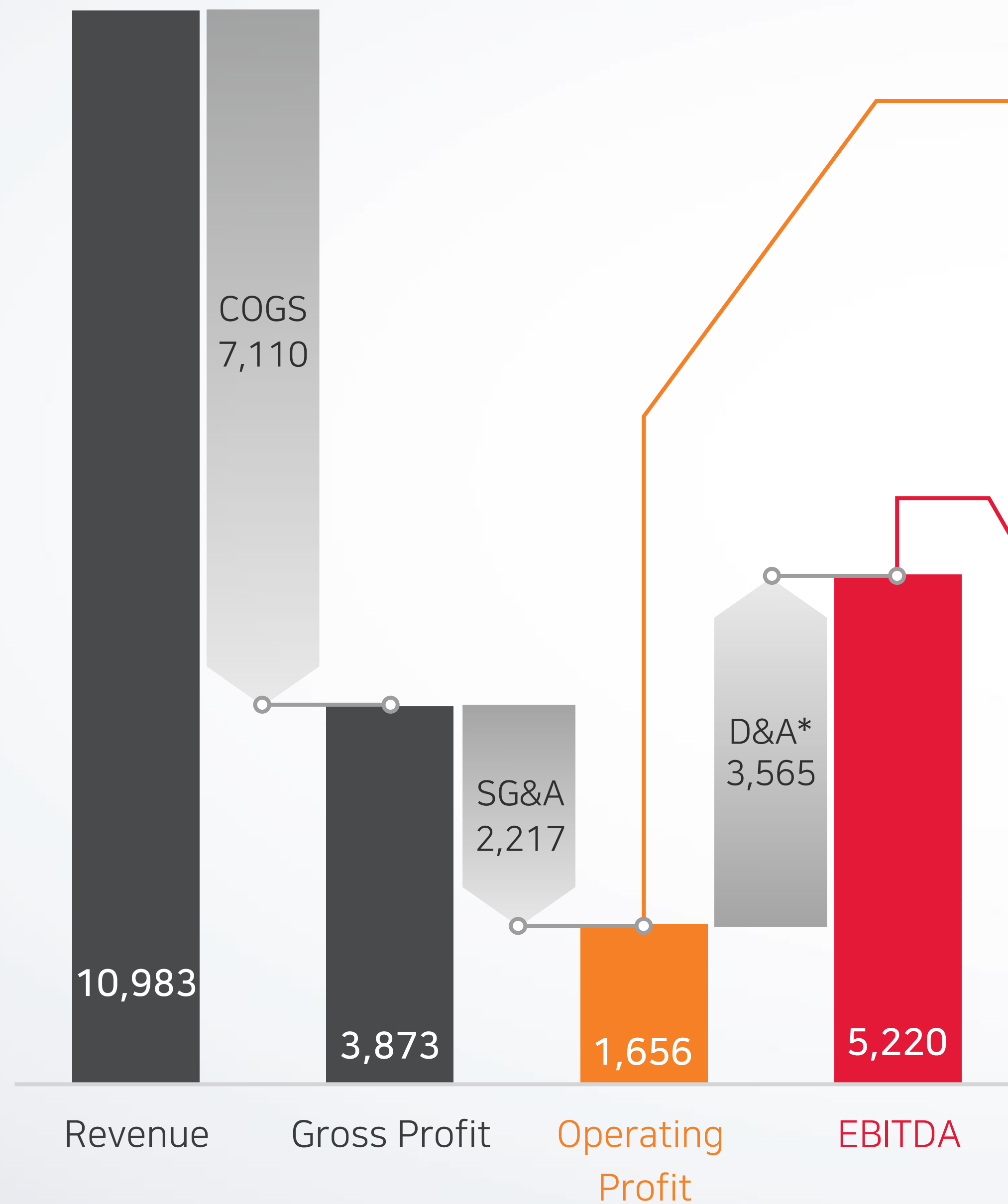
Expanded sales of eSSD
to offset demand weakness
in consumer products

FY2022 Q3 Revenue
KRW 10.98T
-20% QoQ / -7% YoY

FY2022 Q2 Revenue
KRW 13.81T

* Solidigm results consolidated from FY'22

Profit Analysis – Operating Profit



(Unit : KRW Billion)

Operating Profit KRW 1.66T
 (-61% QoQ / -60% YoY)

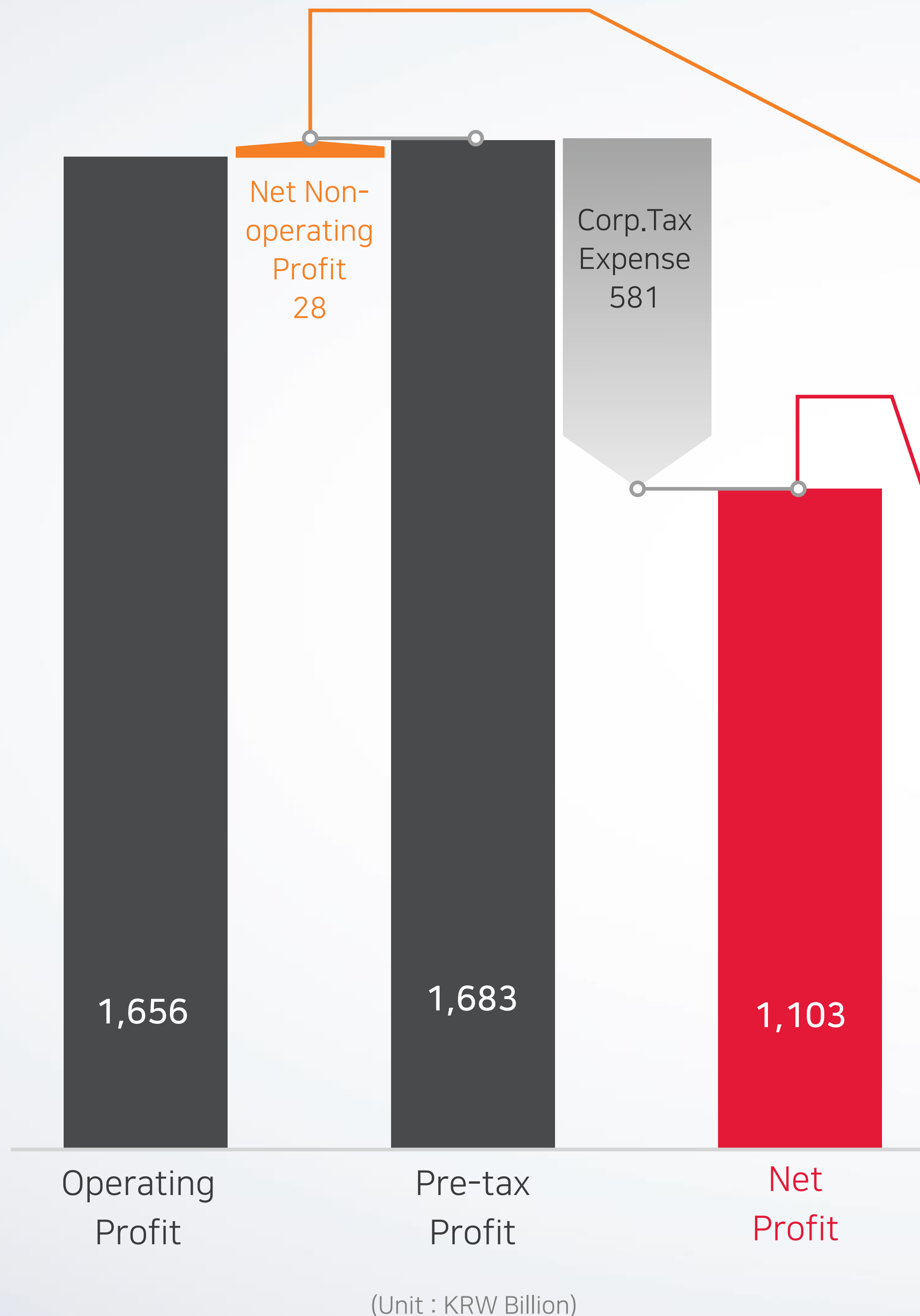
- Unit cost reduction QoQ for both DRAM/NAND
 - From yield stabilization and sales expansion of 1nm DRAM & 176L NAND

EBITDA KRW 5.22T
 (-32% QoQ / -24% YoY)

- EBITDA margin 48%

* D&A : Depreciation and Amortization Expense

Profit Analysis – Net Profit



**Non-operating Profit
KRW 27.7B**

- Net interest expense KRW 121.3B
- Net foreign currency-related gain KRW 132.7B, including transaction gain on account receivables and translation gain on Kioxia investment due to weak KRW against USD/JPY

Net Profit KRW 1.10T

(-62% QoQ, -67% YoY)

- Net profit margin 10%

Financial Position

'22 Q2

'22 Q3

Cash*

KRW 7.50T

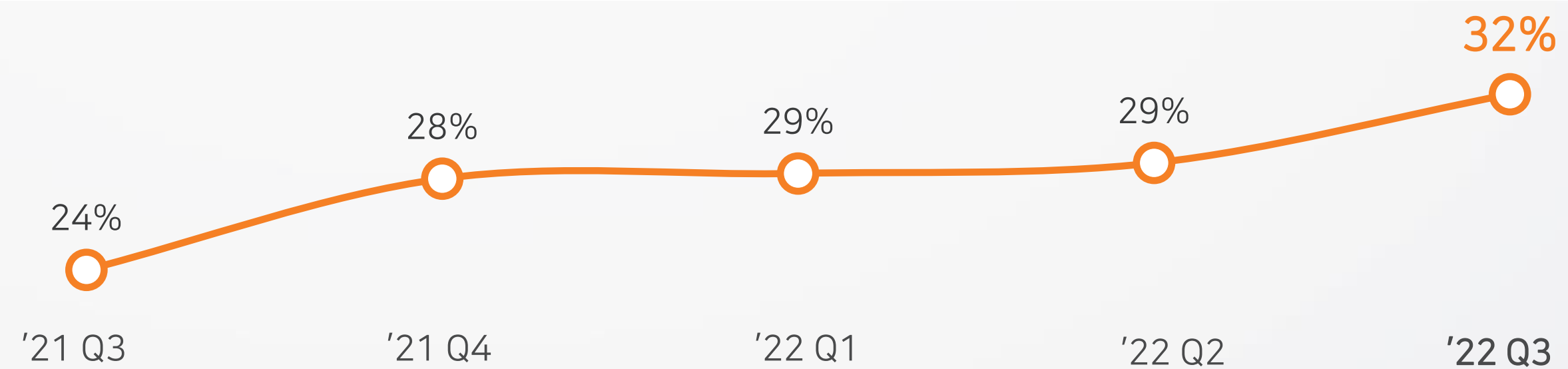
KRW 7.21T

Debt**

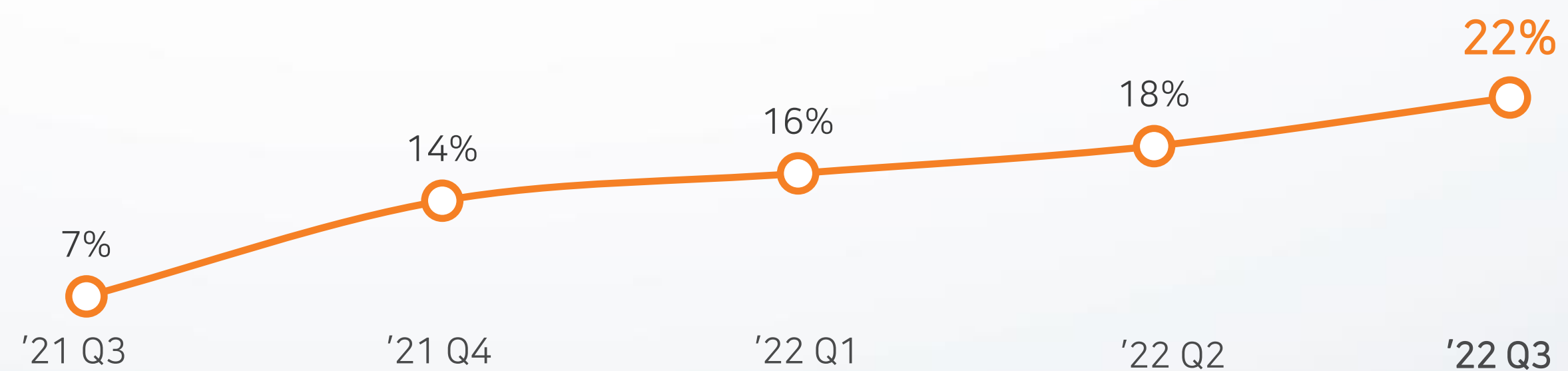
KRW 19.38T

KRW 22.02T

Debt-to-Equity Ratio



Net Debt-to-Equity Ratio



* Cash = Cash & Cash Equivalents + Short-term Financial Instruments

** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-Term Borrowings



Market Outlook

Company Plan

We Do Technology
첨단기술의 중심, 더 나은 세상을 만듭니다

Market Outlook

Summary

DRAM Demand B/G

Yr. '22; +Low~Mid Single% YoY
 Yr. '23; +Low Teen% YoY

NAND Demand B/G

Yr. '22; +Single digit % YoY
 Yr. '23; +Mid 20% YoY

PC

PC shipment to decline by mid-teen% in '22, further correction likely in '23

High-end PC sales portion will increase, expanding memory usage per PC

Mobile

S/P shipment to decline by high-single digit% in '22

Relatively solid demand for high-end/flagship models

Higher contents growth to offset lower shipments in S/P

Server

Relatively healthy demand in '22, but corporate investment reduction and inventory correction due to macro uncertainties affecting 2H demand

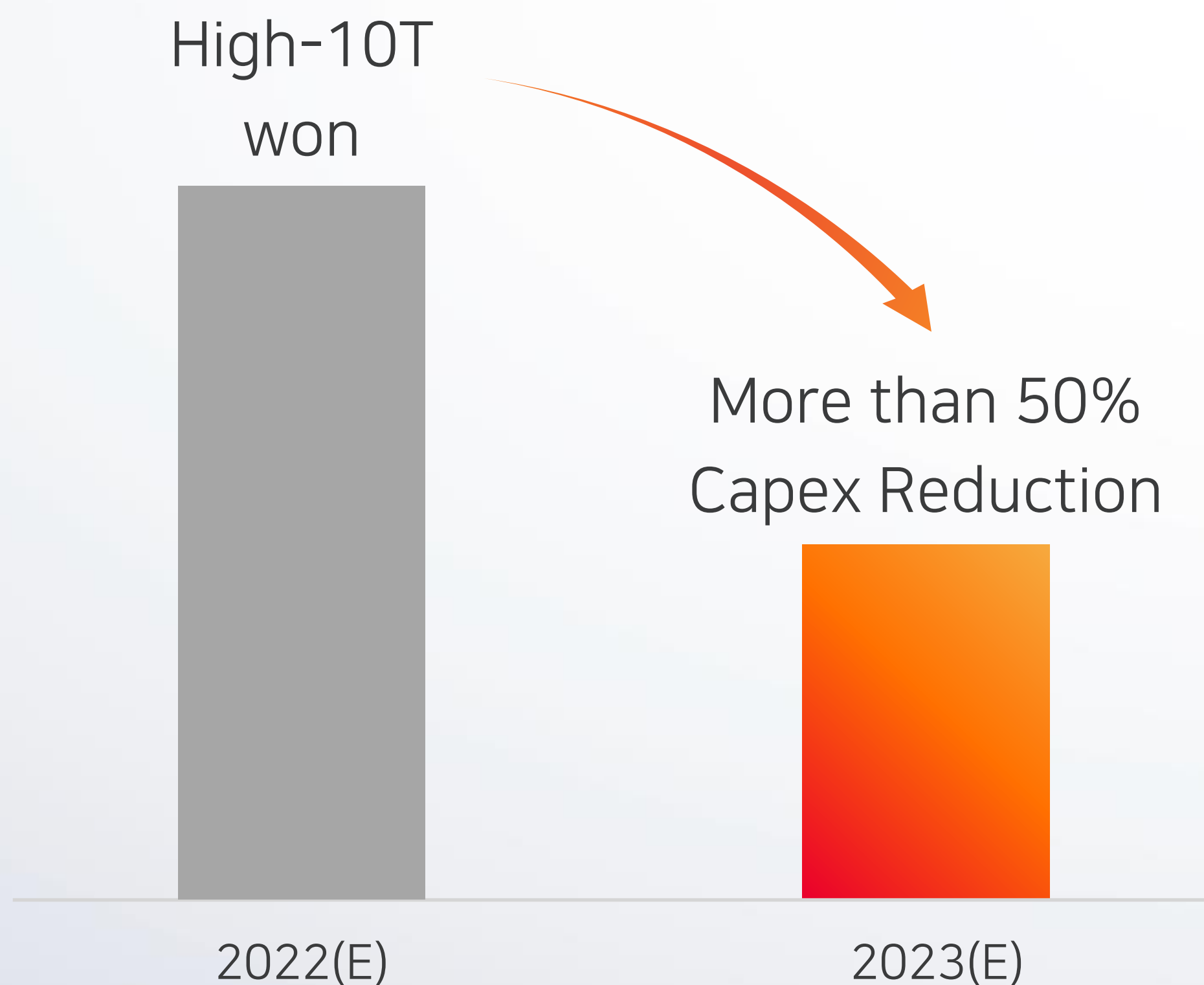
With growth in cloud services (ex. AI • Big Data analytics), SV will continue to drive memory demand

CapEx Outlook

Summary

Substantial Capex cuts to balance supply with market demand levels

Minimize investment for wafer capa & delay investment for certain parts of tech migration



- Production cuts of relatively low-margin products
- Reallocation of fab equipment and product mix in order to improve efficiency of fab operations in the long-term. Possible wafer capacity loss may occur during the process
- Y/Y Reduction in DRAM/NAND wafer production in '23, and slower tech. migration than original plan
- Yet, will maintain critical investment for future demand drivers (DDR5/LPDDR5/HBM3) and on R&D projects

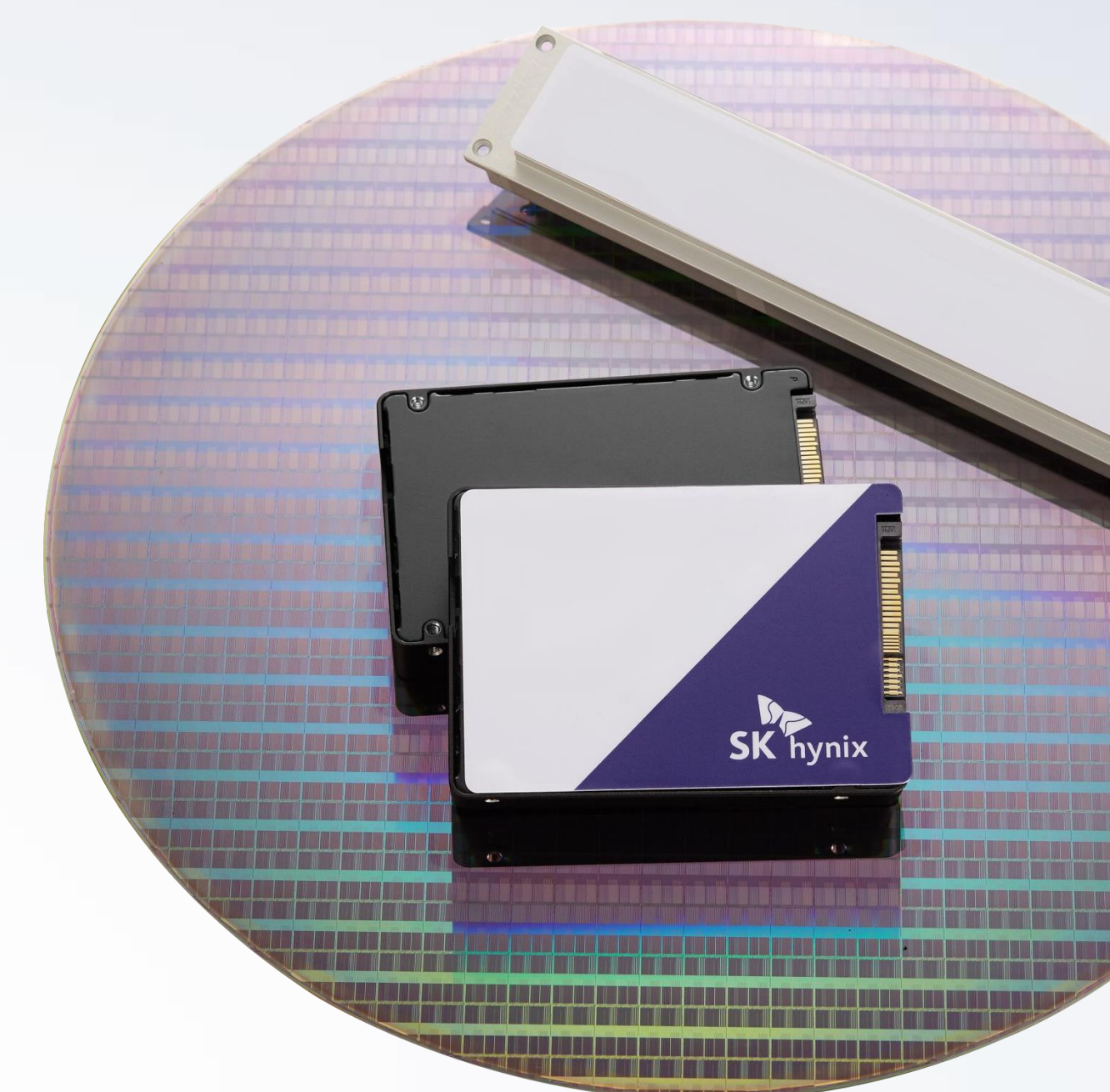
Company Plan

DRAM

Tech

1nm yield improvement & ramp-up
(Approx. 20% of total DRAM production by Q3)

Secured DDR5 product leadership by offering full-line-up of 1nm-based products, including high-density products such as 3DS



NAND

Tech

176L yield improvement & ramp-up,
completed development of 238L
176L reached approx. 60% of total NAND
production by Q3

ESG Management

Announced ESG Strategy Framework 'PRISM' & Published TCFD report

- PRISM comprises of 5 pillars: Pursue, Restore, Innovate, Synchronize, Motivate, and showcases company's reason and purpose of pursuing ESG management, as well as detailed execution plans
- Under the 5 categories of PRISM, there are around 20 quantifiable goals to achieve by 2030
- Published separate TCFD report for the first time, containing a detailed analysis of climate related risks and opportunities, and quantitative estimation of financial impacts



Appendix

FY2022 Q3

We Do Technology
첨단기술의 중심, 더 나은 세상을 만듭니다

Income Statement

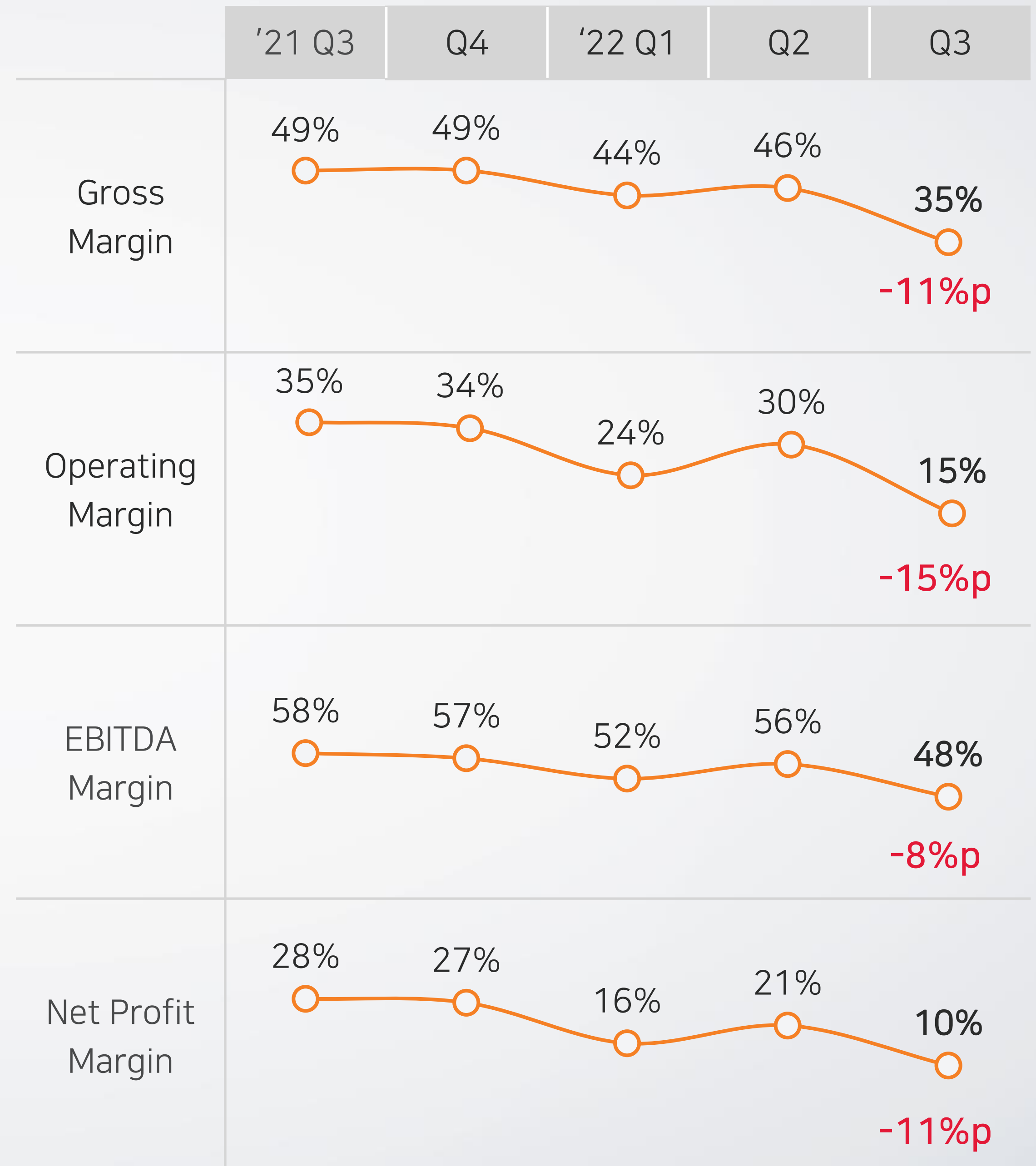
(Unit : KRW Billion)

		'22 Q3	'22 Q2	'21 Q3	Q/Q	Y/Y
Revenue		10,983	13,811	11,805	-20%	-7%
Gross Profit		3,873	6,344	5,831	-39%	-34%
Operating Profit		1,656	4,193	4,172	-61%	-60%
EBITDA*		5,220	7,676	6,880	-32%	-24%
Net Profit		1,103	2,877	3,315	-62%	-67%
EPS (KRW)	Basic	1,609	4,176	4,815	-	-
	Dil.	1,609	4,175	4,813	-	-
Shares Outstanding (Mil. Shares)	Basic	688	688	688	-	-
	Dil.	688	688	688	-	-

* EBITDA = Operating Profit + Depreciation & Amortization

※ All figures in this presentation are rounded to KRW Billions, leading to some statements not adding up completely

Profitability



Statement of Cash Flows

(Unit : KRW Billion)

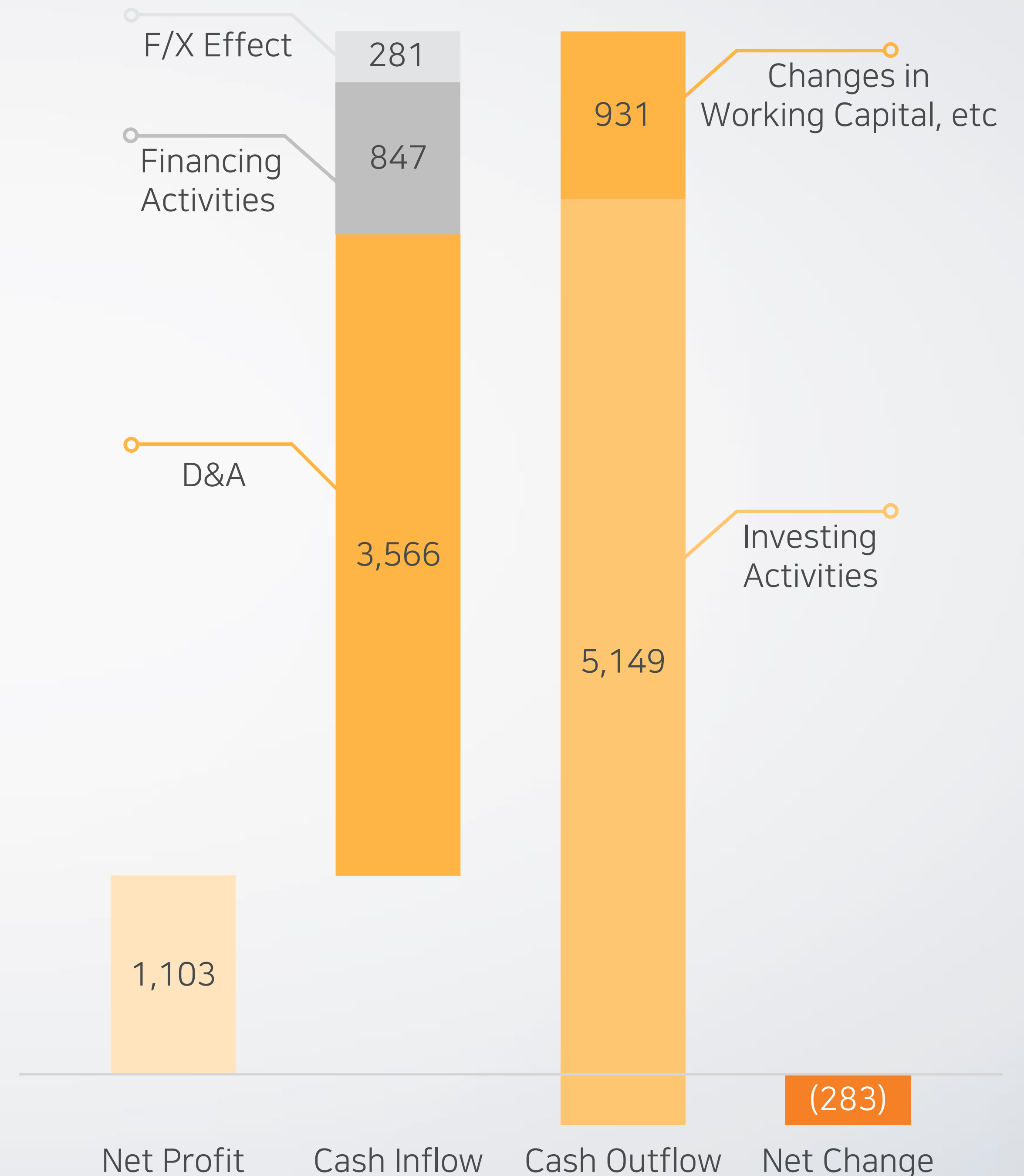
	'22 Q3	'22 Q2	'21 Q3
Beginning Cash Balance	7,496	7,996	6,638
CF from Operating Activities	3,738	4,753	6,171
Net Profit	1,103	2,877	3,315
D&A*	3,566	3,490	2,710
Changes in Working Capital, etc.	(931)	(1,614)	146
CF from Investing Activities	(5,149)	(4,553)	(2,750)
Acquisition of PP&E	(4,804)	(4,833)	(2,777)
CF from Financing Activities	847	(919)	(189)
Changes in Debt	1,123	413	(110)
Repayment of Lease Liability	(73)	(70)	(79)
Dividend Payout	(206)	(1,268)	-
Share Repurchase	3	7	-
Effect of F/X rate changes on Cash & Equivalents	281	219	144
Net Changes in Cash	(283)	(501)	3,376
Ending Cash Balance	7,212	7,496	10,013

* Depreciation & Amortization, including depreciation for non-operating (idle) assets

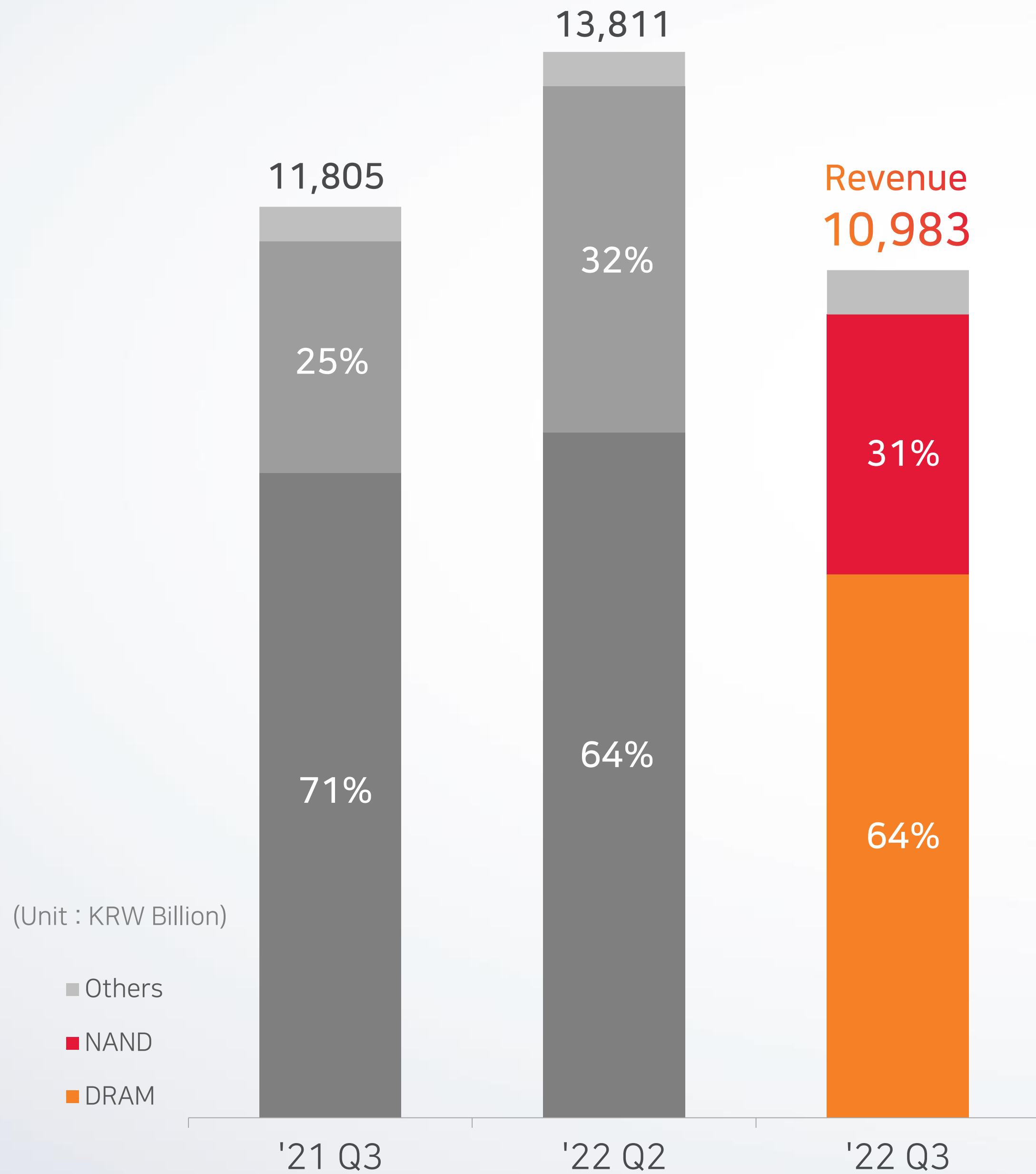
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Net Cash Flow

(Unit : KRW Billion)



Revenue by Product

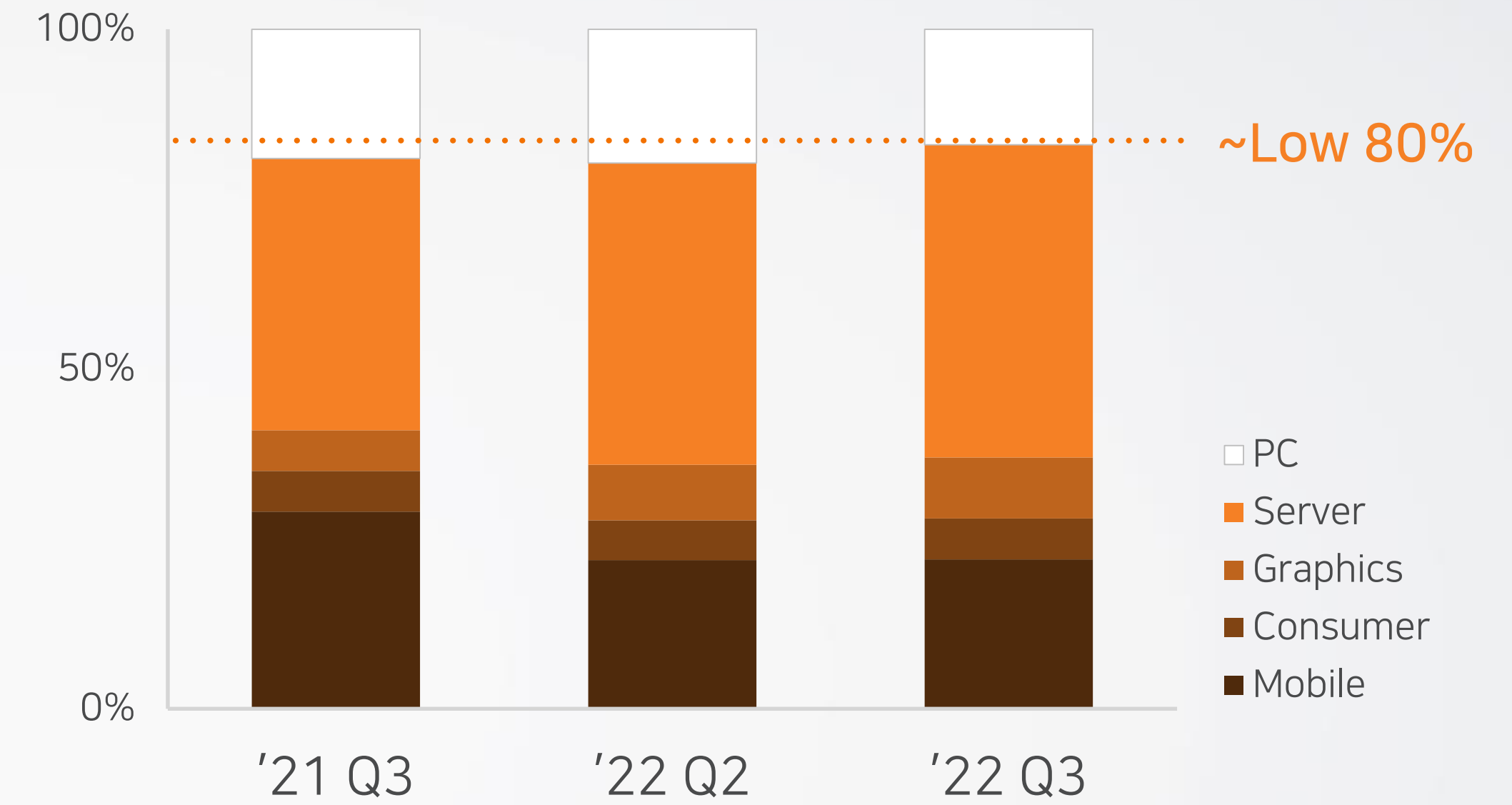


* Revenue by product portion is based on KRW, Solidigm results consolidated from FQ1'22

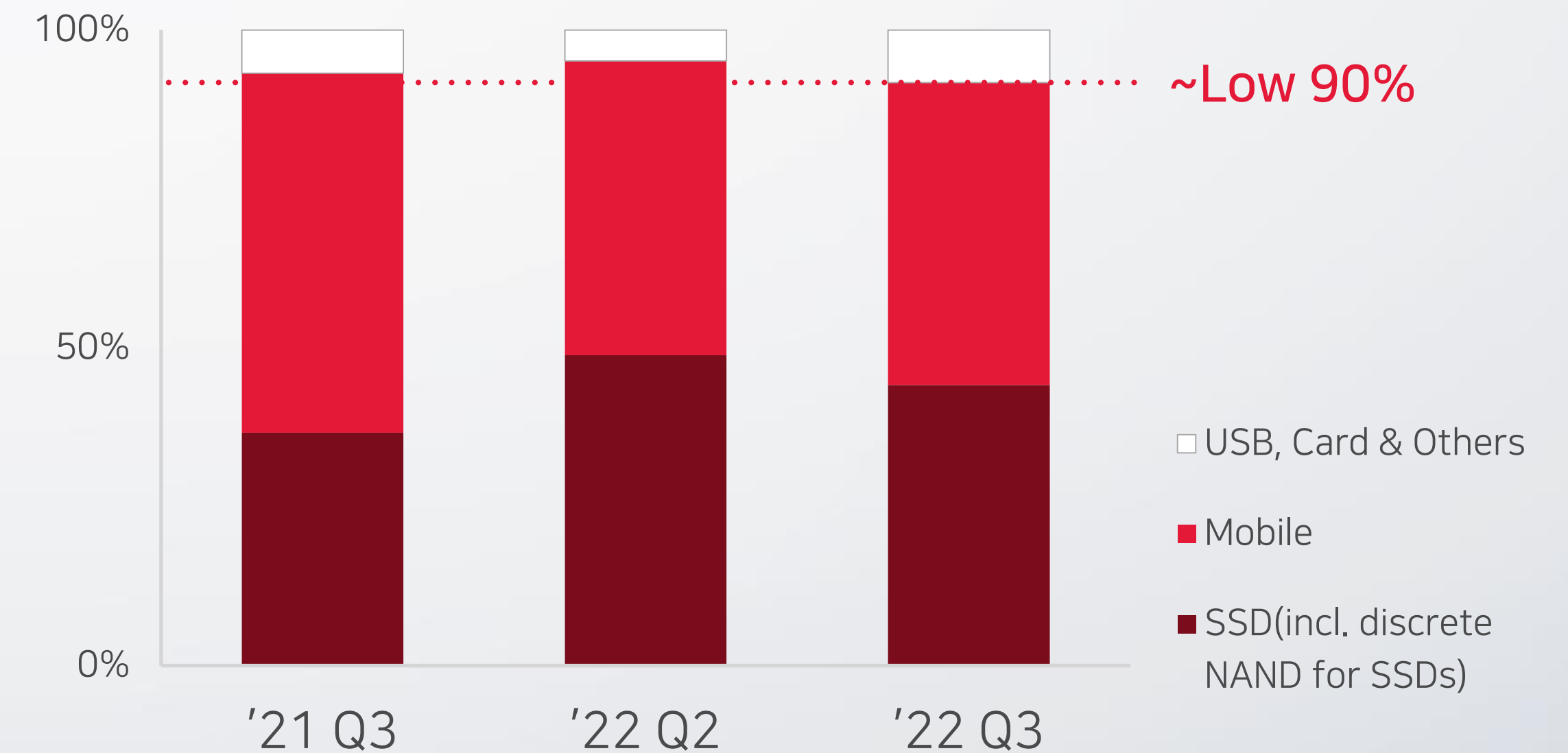
※ All figures above are rounded to KRW Billions, leading to some statements not adding up completely

Revenue by Application

DRAM








NAND



* Revenue by application is based on USD revenue of SKH(excl. Solidigm)

PRISM Framework

 PURSUE A BRIGHTER FUTURE	 RESTORE THE ENVIRONMENT	 INNOVATE TECHNOLOGY	 SYNCHRONIZE SUSTAINABILITY EFFORTS	 MOTIVATE OUR PEOPLE
<p>Our Value to Society</p> <ul style="list-style-type: none"> • Generate social contribution value of KRW 1 trillion (cumulative) • Create 1,000 jobs for people with disabilities or low-income households* • Promote participation of 100,000 people in the global ICT talent fostering program (cumulative)* • Help 100,000 people from underserved communities by conducting social contribution activities with cutting-edge technology (cumulative)* • Serve 12,000 people through our meal sharing program (cumulative)* 	<p>Climate Action</p> <ul style="list-style-type: none"> • Maintain scope 1 and 2 GHG emissions at 2020 levels¹⁾ • Reduce GHG emissions intensity by 57% (by 2026) • Create energy saving of 3000 GWh (cumulative) • Achieve 33% renewable electricity use 	<p>Sustainable Manufacturing</p> <ul style="list-style-type: none"> • Reduce GHG emissions from process gases by 40% • Improve the destruction and removal efficiency of abatement systems to 95% 	<p>Responsible Engagement</p> <ul style="list-style-type: none"> • Ensure 100% of new suppliers sign SK hynix Supplier Code of Conduct • Ensure 100% of tier 1 suppliers complete online ESG self-assessment (every two years) • Ensure 100% of high-risk /critical suppliers receive on-site ESG assessment (every two years) • Triple the number of responsibly sourced minerals (from 3TG minerals to 12 minerals) 	<p>Inclusive Workplace</p> <ul style="list-style-type: none"> • Triple the ratio of women in executive positions • Ensure 10% representation of women in team leader positions**
<p>Robust Governance</p> <ul style="list-style-type: none"> • Increase gender/nationality diversity of the Board to 30% 	<p>Water Stewardship</p> <ul style="list-style-type: none"> • Conserve 600 million tons of water (cumulative) • Reduce water withdrawal intensity by 35% (by 2026) 	<p>Green Technology</p> <ul style="list-style-type: none"> • Double HBM energy efficiency • Increase eSSD energy efficiency by 1.8 times 	<p>Shared Growth</p> <ul style="list-style-type: none"> • Invest KRW 3 trillion in technological cooperation to promote shared growth (cumulative) 	<p>Empowering People</p> <ul style="list-style-type: none"> • Achieve 200 hours of annual self-development education per employees**
<p>Safety & Health at Work</p> <ul style="list-style-type: none"> • Reduce the integrated incidents rate by 10%* • Lower the prevalence rate of metabolic syndrome by 10%* 	<p>Circular Economy</p> <ul style="list-style-type: none"> • Receive ZWTL Gold(99%) certification 			

1) GHG emissions from the Dalian fabrication plant we acquired from Intel in December 2021 are not reflected in the target. Emission control targets for new manufacturing sites such as the Dalian Fab and Key Foundry, for which the acquisition contract was signed in 2021, will be announced later after a separate detailed analysis.

* Figures from domestic sites ** Figures based on domestic engineering and office staff



THE END

[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q3'22	Q2'22	Q4'21	QoQ	vs. Q4'21
Assets					
Current Assets	31,897	29,719	26,870	+2,178	+5,026
Cash & Cash Equivalents*	7,212	7,496	8,673	-283	-1,460
Accounts Receivables	8,520	9,040	8,267	-520	+253
Inventories	14,665	11,879	8,917	+2,786	+5,748
Non-Current Assets	77,649	74,428	69,516	+3,221	+8,133
Property, Plant & Equipment	60,404	58,114	53,034	+2,290	+7,370
Intangible Assets	5,508	5,048	5,065	+460	+443
Total Assets	109,546	104,148	96,386	+5,398	+13,159
Liabilities					
Interest-bearing Debts	22,021	19,382	17,624	+2,639	+4,398
S-T Borrowings	1,902	903	233	+998	+1,669
Current Portion of L-T Borrowings	3,528	3,114	2,648	+414	+880
Bonds	6,994	6,819	7,214	+175	-220
L-T Borrowings	9,598	8,546	7,529	+1,052	+2,069
Accounts Payables	2,476	2,926	1,359	-450	+1,117
Total Liabilities	40,823	37,387	34,195	+3,435	+6,627
Shareholders' Equity					
Capital Stock	3,658	3,658	3,658	-	-
Capital Surplus	4,336	4,336	4,335	-	+2
Retained Earnings	60,233	59,347	55,784	+886	+4,449
Total Shareholders' Equity	68,723	66,760	62,191	+1,963	+6,532

* Short-term Financial Instruments and Short-term Investments included

[Attachment2] Income Statement

K-IFRS (KRW Billion)

		Q3'22	Q2'22	Q3'21	QoQ	YoY
Revenue		10,983	13,811	11,805	-20%	-7%
Cost of Goods Sold		7,110	7,467	5,974	-5%	+19%
Gross Profit		3,873	6,344	5,831	-39%	-34%
SG&A Expenses		2,217	2,152	1,659	+3%	+34%
Operating Profit		1,656	4,193	4,172	-61%	-60%
Net Financial Profit/Loss		-121	-90	-60		
Net F/X Transaction & Translation P/L		133	-312	404		
Net Income(Expense) From Jointly Controlled Entities & Associates		27	61	41		
Others		-10	115	41		
EBITDA		5,220	7,676	6,880	-32%	-24%
Income Before Tax		1,683	3,967	4,599	-58%	-63%
Tax Expense/Benefit		581	1,090	1,283	-47%	-55%
Net Profit		1,103	2,877	3,315	-62%	-67%
EPS(KRW)	Basic	1,609	4,176	4,815		
	Diluted	1,609	4,175	4,813		
Shares Outstanding (mn shares)	Basic	688	688	688		
	Diluted	688	688	688		