Hynix turns 2Q net profit amid record sales

KELLY OLSEN - AP Business Writer - Associated Press

Hynix Semiconductor turned a net profit in the second quarter after a loss the year before as sales rose to a record and prices for its mainstay computer memory chips increased.

Hynix, the world's second-largest manufacturer of computer memory chips, earned 664.8 billion won ($550.2 million) in the three months ended June 30, it said Thursday in a regulatory filing. The company reported a net loss of 58 billion won a year earlier.

Sales nearly doubled to an all-time high of 3.28 trillion won from 1.68 trillion won the year before, Hynix said. Operating profit — seen as a direct indicator of business performance before taxes, dividends, asset sales and other items figured into net profit or loss — rose to a record high of 1.05 trillion won.

The net profit result was Hynix Semiconductor Inc.'s fourth straight quarter in the black. The company recorded its first net profit in two years in the third quarter of last year as prices for memory chips rose amid a rapid recovery in the market.

The company has also cut costs, slashed executive pay and positions and encouraged early retirements. It also received an infusion of fresh capital via bank loans and a share offering.

Hynix manufactures DRAM chips, used mostly in personal computers and ranks No. 2 behind South Korean rival Samsung Electronics Co. It also ranks No. 4 in the world in NAND flash memory chips, used in products such as digital cameras, music players and smartphones.

Hynix supplies NAND chips to Apple Inc. for its iPod and iPhone products and mobile DRAM chips for the iPad, according to Hynix.

Besides Samsung, Icheon, South Korea-based Hynix also competes with Japan's Toshiba Corp. and Micron Technology Inc. of the United States.

Hynix said in a release that the average selling price for its DRAM chips rose 6 percent in the second quarter from the first, while shipments increased 7 percent. NAND flash memory prices, however, fell 6 percent while shipments increased 22 percent.

"Favorable market conditions for DRAM had continued in the second quarter and it was especially buoyant considering traditional seasonality," Kim Min-chul, Hynix's chief financial officer, told analysts on a conference call, saying sales were boosted by stronger-than-expected prices.

Kim said that DRAM "demand growth was stable and has not been seriously affected by recent macro-economic conditions."

He painted a positive outlook for the remainder of the year, citing the traditionally stronger second half and saying that corporate replacement demand should "remain intact" in the final six months of 2010. In particular, he cited chip demand from new applications amid consumer hunger for tablet PCs and smartphones.

"In spite of growing concerns about the global economy, we have not seen clear signs of downward adjustment to shipment forecasts from the customer side," Kim said.

Shares in Hynix, which released earnings results before the stock market opened, gave up early gains and fell 2.3 percent to 23,050 won after more than 2 hours of trading. The company's share price more than tripled in 2009.

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