

Hynix Semiconductor 1Q profit falls 66 percent

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(AP) -- Hynix Semiconductor's quarterly profit fell 66 percent as sales declined and memory chip prices remained weak, though the company said business conditions should improve in the second quarter.

Hynix, the world's second-largest manufacturer of computer memory chips, earned 273.5 billion won (\$254.9 million) in the three months ended March 31, it said in a regulatory filing Thursday. It had net profit of 808.1 billion won a year earlier.

Sales in the first quarter fell 1.1 percent from a year earlier to 2.79 trillion won.

"The business environment was very challenging," Hynix's chief financial officer Kim Min-chul told an earnings conference call.

Prices for [dynamic random access memory](#) or [DRAM chips](#), used mostly in personal computers, remained weak and uncertainties about global economic growth persisted, he said.

Investors appeared optimistic, however, sending Hynix's share price 3.1 percent higher to 34,950 won in morning trading. Hynix announced earnings shortly before the stock market opened.

[Hynix Semiconductor](#) Inc. ranks No. 2 globally in DRAM chips behind South Korean rival [Samsung Electronics](#) Co. It also ranks No. 4 in NAND [flash memory chips](#) used in products such as digital cameras,

music players and smartphones.

Hynix said its average selling price for DRAM chips fell 13 percent in the first quarter from the final three months of last year. Shipments, however, increased 15 percent.

The company said its average selling price for NAND flash memory chips, meanwhile, was flat, while shipments also increased 15 percent.

Kim Ji-bum, Hynix's chief marketing officer, said that demand for chips used in PCs was weaker than expected during the first quarter as manufacturers reduced inventories amid slower-than-expected demand for personal computers from consumers.

He said Hynix expects that its chip customers will replenish inventories during the current quarter amid worries about possible supply shortages due to the massive March 11 earthquake in Japan.

Japanese companies are key suppliers of high-tech materials and components.

"Demand for NAND flash was stronger than our expectation of normal seasonability in response to strong market demands for smartphone and tablet" devices in the first quarter, Kim told analysts.

He said the market environment should be "stable" in the second quarter as DRAM customers, also concerned about possible supply disruptions, likely move to secure supplies.

Kim said that while Hynix currently sees no "significant supply chain disruptions" as a result of Japan's disaster, that could change in the second half of the year if supply constraints for raw materials and components linger longer than expected.

"Therefore, we still remain cautious on the long term impact of (the) earthquake," he said.

Separately, Hynix said it adopted international financial reporting standards, or IFRS, from the first quarter of this year and has restated previous earnings to conform.

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