

A large, stylized number '2007' is the central focus of the page. The '2' is a simple, rounded shape. The '0' is a large, open circle. The '0' is a large, open circle. The '7' is a large, open shape with a curved top. The number is rendered in a light gray color with a subtle gradient and a slight shadow effect, giving it a three-dimensional appearance. It is positioned in the upper right quadrant of the page.

2007

Annual Report

hynix

for the year 2007,

Last year Hynix exceeded the goals that it had set the year before – placing us on the path to sustained growth.

Hynix is a leading memory semiconductor company that develops, designs, manufactures, and sells advanced memory semiconductor products applied in personal computer, server, workstation, graphic card, mobile & telecommunication, and consumer electronics products. The Company runs an extensive global sales network well-established in the US, the UK, Germany, Japan, Taiwan, China (including Hong Kong and Shanghai), Singapore and India with the manufacturing sites in Korea, the US, China, and Taiwan. In 2006 Hynix ranked the seventh among the world's semiconductor makers by its total sales. The Company works with the global corporations such as Apple Computer, Dell, Hewlett-Packard, IBM, Lenovo, Motorola, Sony and Toshiba.

In 2006 Hynix surpassed the targets it set for itself a year ago, further solidifying its foundation for achieving sustained growth. This confidence has grown from our repeated successes, showing the world that our Company can overcome global challenges with shared determination and vision. Hynix has proved that it can deliver.

**Determination is our strength. It's our way of fulfilling our vision. Because...**



## Financial Highlights

(Three-year comparison of selected financial data)

FOR THE YEAR OF	2006	2005	2004
	(in billions of Won)		
Revenues	7,569	5,753	5,864
Operating Income	1,872	1,430	1,846
Net Income	2,012	1,817	1,692
EBITDA	3,213	2,559	2,858
OP Margin	25%	25%	31%
Net Profit Margin	27%	32%	29%
EBTIDA Margin	42%	44%	49%
Assets	13,626	10,265	8,255
Cash*	1,957	1,216	927
Liabilities	5,092	4,038	3,795
Interest-bearing Debts**	2,084	1,642	1,831
Shareholders' Equity	8,533	6,228	4,460
Debt to Equity Ratio	60%	65%	85%
Net Debt to Equity Ratio	1%	7%	20%

\* Cash : Cash and Cash Equivalents + Short-term Financial Instruments

\*\*Interest-bearing Debts : Short-term Borrowings + Current Portion of Long-term Debts + Debentures + Long-term Debts



### 1 Record Sales and Profits

Attesting to the Company's overall efficiency, Hynix has registered the highest net profit in the semiconductor industry, at over KRW two trillion. Furthermore, December 2006 marked a corporate milestone for Hynix: Surpassing one billion dollars in monthly sales and eight billion dollars in annual sales. With now a six billion dollars export portfolio, Hynix, was nationally recognized with its second Export Tower Award during Korea's 43rd annual Trade Day.

### 2 Highest Productivity Gain in NAND Flash Memory

Due to our successful mass-production of 70 nanometer SLC (Single Level Cell) and 90 nanometer MLC (Multi Level Cell) NAND Flash products, we were able to record a sharp increase in shipment volume and gain our share of the NAND market, despite a year-on-year drop in prices of over 60%. iSuppli, a US market research firm, reported that Hynix moved into third place in the global NAND market, with an 18% share in 2006.

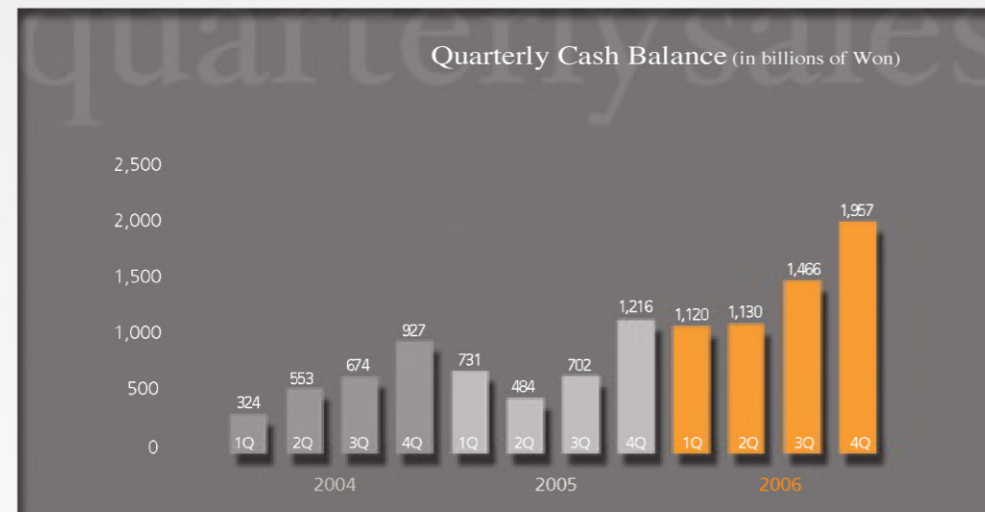
### 3 Increased Global Production Capacity for 300mm Wafers

Hynix's 300 mm joint-venture fab with STMicroelectronics in Wuxi, China, was completed in October of 2006, extending our global manufacturing network across Korea, the US, China and Taiwan, while fundamentally resolving the issue of countervailing duties in our major export markets. Our increasing capacity at the Icheon-based M10 plant and ongoing mass-production from the China-based C2 plant has further raised Hynix's monthly production to 100,000 units of 300mm wafers as of year-end 2006.

### 4 Mass-production of 80-Nano DRAM and Sophisticated 60-Nano Technology

The basis of Hynix's technological and cost competitiveness is the production platforms for chip families. We have cemented our edge in 80 nanometer DRAM products by our successful implementation of mass-production lines, which positioned Hynix to receive Intel validation of 60 nanometer class products in October 2006. Hynix is pursuing its strategy of technological innovation in new products, while strategically focusing on cost competitiveness to reap maximum return on investments.





### Ranking of Semiconductor Vendors in 2006

Top 25 Semiconductor Vendors by Revenue, Worldwide, 2006 (Millions of Dollars)

2006 Rank	2005 Rank	Company Name	2006 Revenue	2005 Revenue	Growth 2005-2006	Market Share 2006
1	1	Intel	30,437	34,590	-12.0%	11.6%
2	2	Samsung Electronics	20,138	18,347	9.8%	7.7%
3	3	Texas Instruments	11,984	10,119	18.4%	4.6%
4	6	Infineon Technologies	10,533	8,205	28.4%	4.0%
5	5	STMicroelectronics	9,854	8,882	10.9%	3.8%
6	4	Toshiba	9,783	8,984	8.9%	3.7%
<b>7</b>	<b>9</b>	<b>Hynix</b>	<b>8,007</b>	<b>5,723</b>	<b>39.9%</b>	<b>3.0%</b>
8	7	Renesas Technology	7,900	8,101	-2.5%	3.0%
9	14	Advanced Micro Devices	7,434	3,995	86.1%	2.8%
10	11	Freescale Semiconductor	6,049	5,599	8.0%	2.3%
11	NM	NXP	5,874	0	NM%	2.2%
12	10	NEC Electronics	5,680	5,672	0.1%	2.2%
13	12	Micron Technology	5,027	4,620	8.8%	1.9%
14	17	Qualcomm	4,528	3,457	31.0%	1.7%
15	13	Sony	4,434	4,304	3.0%	1.7%
16	15	Matsushita	3,787	3,779	0.2%	1.4%
17	20	Broadcom	3,668	2,671	37.3%	1.4%
18	16	Sharp	3,567	3,569	-0.1%	1.4%
19	19	IBM Microelectronics	3,518	2,855	23.2%	1.3%
20	27	Elpida Memory	3,489	1,784	95.6%	1.3%
21	18	Rohm	2,856	2,919	-2.2%	1.1%
22	22	Analog Devices	2,595	2,434	6.6%	1.0%
23	25	Spansion	2,579	2,003	28.8%	1.0%
24	28	Marvell Technology Group	2,566	1,741	47.4%	1.0%
25	21	Fujitsu	2,554	2,587	-1.3%	1.0%
Top 25 Vendors			156,940	178,841	14.0%	68.1%
Other Companies:			83,849	81,349	3.1%	31.9%
<b>Total Market:</b>			<b>262,690</b>	<b>238,289</b>	<b>10.24%</b>	<b>100.00%</b>

Source: Gartner Dataquest, March 2007

## 5 Opening the 300mm fab Era

Our investments in new technology are already starting to pay off. Since we began production in 2005 at M10, our first 300mm fab in Icheon, Korea, Hynix has expanded its 300mm capacity and strengthened the competitiveness of its new products. We completed a cutting-edge 300mm R&D fab(R3) in record time, opening at our Icheon headquarters last October. This new fab gives Hynix an early lead in 60 nanometer technology - a major leap forward in our efforts to develop sub-50 nanometer DRAM and NAND Flash products in the near future.

## 6 Enterprise-Wide RTIP Innovation Program

September 2006 Hynix launched a corporate-wide program to manage innovation at every level. Dubbed RTIP for Real-Time Interactive & Parallel, it refers to a system that delivers strategic information in real time, which enables timely corporate responses to ever evolving technology advances. This system enables 'vertical and horizontal' (interactive) communication throughout the network while channeling horizontal (parallel) cooperation in meeting business goals. RTIP is Hynix's unique approach to empowering employees by coordinating processes in real time, while maximizing intellectual asset. Under this new program, we expect to see dramatic performance improvements.

## 7 Amicable Labor Relations

Hynix's labor and management have stood united over the years in their efforts to achieve a successful turnaround for the Company. Underpinning this remarkable history of cooperation has been a commitment on both sides to negotiate win-win agreements that create value for the Company, its shareholders and its workers. To create value for the largest group of stakeholders, namely, the community, Hynix's labor unions in Icheon and Cheongju actively participate in volunteer activities that burnish our overall corporate image.

## 8 Hynix's GWP Corporate Culture

Hynix launched its GWP (Great Work Place) campaign in 2005, marking the start of its effort to become the most desirable workplace for corporate employees and future recruits. Two years later, the GWP campaign has taken hold as the defining feature of our Company's corporate culture. Based on an atmosphere of trust and open communication, Hynix's employees are well-placed to be the most competitive workforce in the digital age.

A person wearing a white cleanroom suit, including a hood and gloves, stands in a library aisle. They are holding a book in their right hand and another book in their left hand. The aisle is lined with tall bookshelves filled with books. The lighting is bright, and the overall atmosphere is one of quiet study and research.

it lets us think *deeper,*

“Without differentiating ourselves from the competition, there will be no long-term survival. That’s why I and my R&D team will never stop innovating.”

Chi Ho KIM, Researcher of Adv. Flash Process Team

- Developed new 60 nanometer class products
- Selected as a Top 10 company of Korea in R&D investment
- First company in the world to receive Intel validation for 512M DDR2 and 1G DDR2 products
- Constructed 300mm R&D fab





A photograph of a city street with lush green trees in the foreground and midground. In the background, there are multi-story buildings and a yellow taxi. The scene is bright and sunny.

# move *faster,*

“Our strong global network was vital in raising Hynix’s international competitiveness to the next level. Today we are supplying top-end products to the most technologically-advanced customers in the world.”

Li Sheng YING, Operator of HSSL | John W. MICHAEL, Section Manager of HSMA

- Gained global market share through cost competitiveness and production volume
- Successfully constructed joint venture fabrication factory in Wuxi, China
- Selected by EETimes as the top performer among the world’s 10 largest chip makers in 2006
- Successfully mass-produced 80 nanometer DRAM and developed competitive 60 nanometer class DRAM technologies











and aim *higher.*

“We go wherever there is need for our products.  
Every corner of the world is my sales arena.”

Myoung Young CHO, Strategic Account ? Team of Sales Division

- Attained the world's seventh largest semiconductor company
- Took the largest share in the fastest-growing markets of China, India and Russia
- Exported to 35 countries around the world, including China and the US
- Won the Export Tower Award





**Will is the essence of our success.**

# Hynix At Hynix,

Hynix's will is where our success stems from. Our will provides the basis of our corporate culture and defines our management philosophy, enabling us to attain our goals. Hynix's will to grow is boundless; it drives us in pursuit of the "Hynix Way".

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## *Dear shareholders,*

To our Shareholders and Customers,

2006 was a difficult year for Hynix and the semiconductor industry all across the board. One in which marked with multiple business and market challenges, including the weakening of the US dollar. But here at Hynix our team pulled together and delivered outstanding results: Highest sales in our company's history, and 14 consecutive quarters of operating profit.

Hynix now ranks seventh in the world's semiconductor industry and second for memory. Mass-production of 80 nanometer chips, while strengthening our position in 60 nanometer class for the next technology generation.

Without a doubt, it was an active year across the business front: Joint-venture plant in Wuxi, China was completed with remarkable speed, 300 mm R&D fab in Icheon celebrated its grand opening, and company-wide innovation system was fully institutionalized. To top it off, we also received the nationally recognized Six Billion Dollar Export Tower Award.

To become one of top three semiconductor firm by 2010, we are systematically instilling a culture of uncompromising quality. We have recently named this "Supreme Hynix". In order to achieve this vision, I and the entire Hynix staff are focusing our efforts on the following four key business principles:

To become top three semiconductor firm by 2010, we are systematically instilling a culture of uncompromising quality, which we call “Supreme Hynix”.

#### First, Knowledge Management

We will enhance our productivity by encouraging greater information sharing among our workgroups, and emphasize the importance of life-long rigorous education programs for all of our employees. On the R&D front, Hynix will strive to improve the tangible returns by obtaining increasing numbers of patents.

#### Second, Customer Satisfaction

Hynix will continue to nurture and build closer relationships with its high-value corporate customers, as well as our product and service suppliers. We are also preparing an objective system for evaluating our vendors, to ensure highest quality products and services are sourced.

#### Third, Ethical Management

Hynix realizes that our stakeholders including the larger society have strong expectations around corporate responsibility and citizenship. We are determined to meet those expectations. Through systematic ethical management that involves regular self-evaluations, we will do our utmost to earn the respect of the public and to sponsor meaningful exchanges with local communities and stakeholders. Above all, Hynix is committed to ensuring that its employees understand and live by the company's code of ethics. We are currently drafting the Sustainability Report for 2007, which lays out our strategies for corporate responsibility.

#### Fourth, Green Business Practices

It is our intention to minimize our impact on the environment by reducing our natural resource consumption. Our goal is to define and implement the world's highest standard for green business practices, and to strongly encourage our vendors to adopt the same standards. We are in the process of setting up a special team, the Hynix Environmental Watchdog, to monitor both internal and external compliance with our rigid standards.

2007 will be a year to build  
an engine of sustainable  
growth to successfully  
compete in the world's IT  
industry.

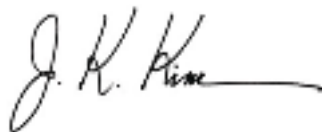
Taken together, these four principles demonstrate our focus on long-term growth. 2007 will be a year of promoting sustained growth for Hynix.

To our Shareholders and Customers

I would like to extend my appreciation for your continuing support for Hynix.

We are consciously aware that our company would never have achieved this level of success without your trust and encouragement. On behalf of everyone at Hynix, I promise you that our efforts are being directed toward meeting all of your expectations of us. I hope that you will continue to stand beside us as we work toward becoming the world's best semiconductor company.

Thank you.

A handwritten signature in black ink, appearing to read "J. K. Kim", with a long horizontal flourish extending to the right.

April 2007  
Chairman and CEO  
Jong Kap KIM

## Board of Directors

### **Jong Kap KIM**

Chairman of BOD  
Commissioner of Korean Intellectual Property Office  
Vice Minister of Commerce, Industry and Energy  
Currently Chairman & CEO of Hynix

### **O. C. KWON**

Member of Nomination and Governance Committee  
Hyundai Merchant Marine Co., Ltd  
Head of Finance Planning Office  
Currently Senior VP of Strategic Planning Office of Hynix

### **Jin Seog CHOI**

Member of Compensation Committee  
Samsung Electronics (Semiconductor Division)  
Currently CTO of Hynix  
Currently Adjunct Professor of Electronic Engineering of Korea University

### **Dong Sung CHO**

Outside Director / Head of Nomination and Governance Committee  
Dean of College of Business Administration of Seoul National University  
President of Korean Academic Society of Business Administration  
Currently Professor of Business Administration of Seoul National University

### **Jong Sun PARK**

Outside Director / Member of Nomination and Governance Committee  
Republic of Korea Air Force (Air-commodore)  
Vice President of Sungeun International Co., Ltd.  
Currently Adjunct Professor of Industrial Systems and Information Engineering of Korea University

### **Kyung Han KIM**

Outside Director / Head of Compensation Committee  
Vice Minister of Justice  
Head of Seoul High Public Prosecutors Office  
Currently Representative Lawyer of Shin & Kim

### **Hyeong Joon KIM**

Outside Director / Member of Compensation Committee  
Currently Registered Member of Korea Academy of Science and Technology  
Currently Chief President, System IC 2010 Project of Ministry of Science and Technology  
Currently President of Working Group on Next-Generation Semiconductor under the Ministry of Commerce, Industry and Energy

### **Hak Joong HWANG**

Outside Director / Head of Audit Committee  
Vice President of KEB  
President of KEB of Canada

### **Hyung Ook MIN**

Outside Director / Member of Audit Committee  
Head of e-Business Group of Woori Bank  
Executive VP of Woori Bank

### **Bang Gil SOHN**

Outside Director / Member of Audit Committee  
Second Deputy Secretary General of The Board of Audit and Inspection of Korea  
Auditor of Korea Deposit Insurance Corporation  
Currently Vice President of Korea Lottery Service

### **Sung Ho SOHN**

Outside Director / Member of Audit Committee  
General Manager of Sales Planning Department of Korea Development Bank  
Senior Managing Director of Korea PTG Co., Ltd.  
Currently Auditor Director of Korea PTG Co., Ltd.





will to **lead**

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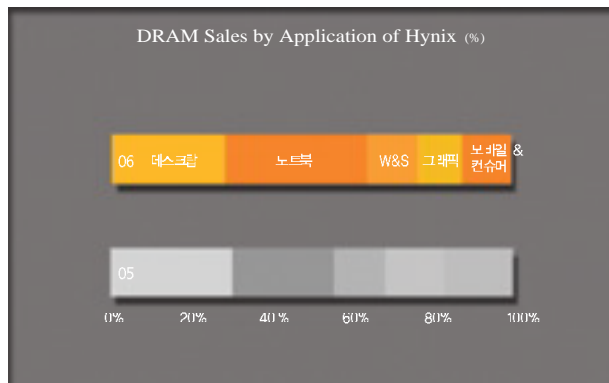
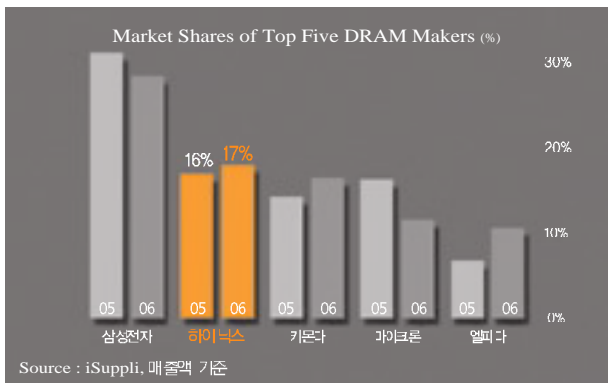
# Major Accolades.

Hynix responded decisively to changes in the global DRAM and NAND Flash market in 2006, demonstrating the Company's flexibility in preserving market share and profitability for its core products. We took the second-highest market share in DRAM and the third-highest in NAND Flash, securing for Hynix the seventh spot among global semiconductor makers.



**Demand for DRAM**, largely main memory, soared on the back of a 10% YoY rise in PC shipments. Factors affecting the market in 2006 included the DDR2 chipset supply shortages in the first half, intense CPU price competition between Intel and AMD, and higher memory requirements per PC with the recent launch of Windows Vista-ready PCs. WSTS reports that the DRAM market skyrocketed by 32% in 2006 to \$33.8 billion. The release of Windows Vista, new game consoles and robust sales of digital televisions and set-top boxes (prior to the World Cup), all contributed to the rising demand for graphics memory and DRAM.

Accordingly, our DRAM products posted their highest sales since 1995. Hynix even beat the market, posting a 37% increase in DRAM sales from \$4.1 billion in 2005 to \$5.6 billion last year. iSuppli ranked Hynix second in DRAM worldwide, with a 17% market share. This demonstrates the success of our proactive steps to maintain ahead of the market conditions.

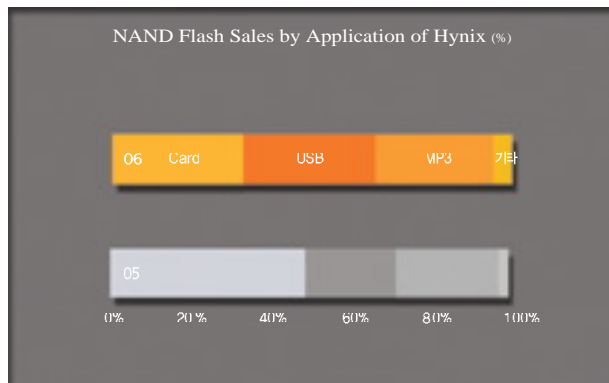
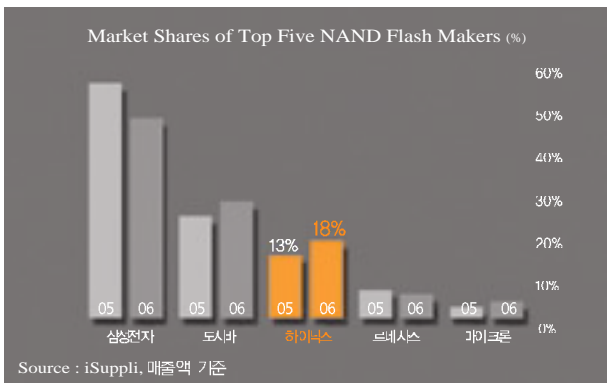


# 3<sup>rd.</sup>

2007 NAND Flash Maker Rankings

The NAND Flash market, on the other hand, was decidedly in the doldrums during 2006. The market segment for NAND Flash was not in high demand in many of the new end-product releases that drove NAND Flash sales in 2005. Furthermore the combined factors of overcapacity and technological transitions led to a supply glut that drove prices downward by as much as 60% YoY. This downward demand led smaller memory makers to divest their NAND Flash businesses and reallocating NAND production lines to other products.

Despite these macro-level market difficulties, Hynix nonetheless managed to increase its shipping volume faster than the market average, and thereby, gain the overall market share with \$2.3 billion in sales for the year, a 50% increase from 2005's \$1.6 billion. Our smooth transition to 90 nanometer MLC technology coupled with strengthened NAND MCP production helped us to expand sales volume and diversify product portfolio. As a result, in 2006 iSuppli reported that Hynix had risen to a 18% share in NAND Flash, a remarkable climb from 13% in 2005.



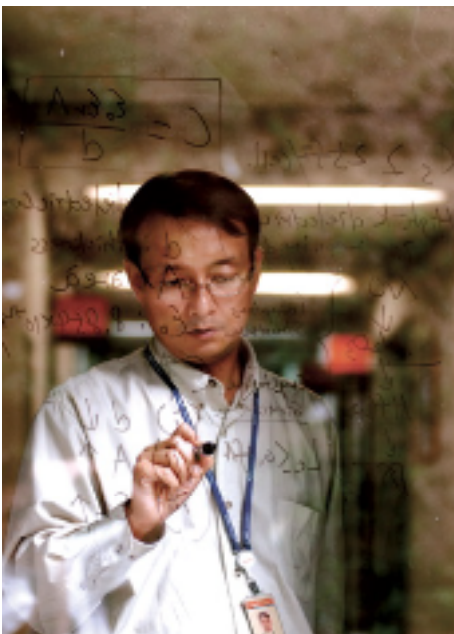
# Innovation.

Hynix's never-ending innovation in pursuit of sustainable growth is embodied by the principle of RTIP.

In 2006, Hynix posted the highest sales in its corporate history and the highest operating profit in the entire industry. Instead of taking these developments as a sign that we should continue with business as usual, Hynix has decided to use this record-breaking year as the starting point for **an enterprise-wide innovation system** called **RTIP**.

RTIP stands for Real Time, Interactive & Parallel. It means that Hynix will link its strategies, decisions and responses in real time, dealing effectively and decisively with changes in technology, in the market, and in customer needs. It means that Hynix employees will communicate interactively with internal and external partners, eliminating redundant work processes and expanding knowledge. RTIP will also allow our teams to work in parallel with each other and with external suppliers to meet business goals and customers' expectations.

Previous innovation programs tended to take a bottom-up approach, assuming that innovation would flow from incremental adjustments to a given work environment. RTIP, however, is much more transformational. It is about fundamentally changing how work is done and information is shared. It is about joining the entire Hynix organization together as a networked community with common goals and the ability to get things done.



# RTIP

In 2006, for the first phase of RTIP, we selected five areas of focus - strategic management, customer-oriented Design-In system, workflow-based information sharing, integrated baseline information system, and supplier development. Taken together, the RTIP components promote process innovation throughout the full range of Hynix's business activities. At the same time, we introduced substantial changes to our evaluation and reward system, shifting more responsibility for performance innovation away from the Workgroup level and onto the individual level.

Ability to be more adaptive is allowing Hynix to compete at a higher level and to become the best semiconductor company in the world. Our entire team is working together to build a durable engine of future growth.

## Real Time

Flexible On-time Management

## Interactive

Effective Company-wide Communication Management

## Parallel

Cooperation Resulting in Speedy Work Completion



# Global Competencies.

Through relentless R&D effort, Hynix has reached the highest level of technological competitiveness and is on its way to becoming the world's top semiconductor company.

World's **1**st.

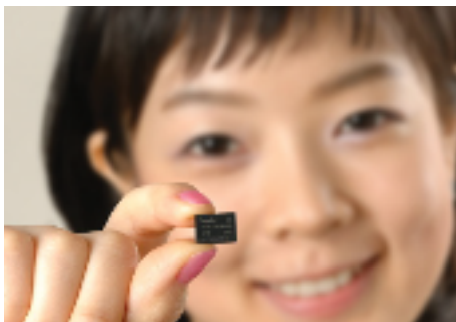
Won the validation from Intel for 512Mb DDR2 and 1Gb DDR2 for the first in the industry

In 2001, facing a financial predicament and an overall bear market in technology, Hynix broke away from the customary investment strategy of the industry and focused on the development of capex-efficient technologies. As a result, we developed "chip family" technologies that allowed us to strategically develop demand driven products, including 150 nanometer Blue Chip and 90 nanometer Diamond Chip technologies. Those investments have formed the basis of cost-competitive innovative memories that enabled Hynix to surge forward when the market improved.

## 2006 Marks a Turning Point in Hynix's Technological Leadership

In 2006, Hynix proved its technological leadership over other chip-makers. February 2006 Hynix became the first company in the industry to receive Intel validation for 512Mb DDR2 products, developed with 80 nanometer technology. Soon thereafter, we also received the same validation for 1Gb DDR2 products, developed with 66 nanometer technology. The competitive edge for Hynix is the refresh rate of its 80 nanometer DRAM products, which is more than double that of its competitors' products.

DDR3 is another area. We participated in an Intel DDR3 chipset evaluation and acquired GDDR3 technologies, which have given Hynix a solid position in the graphics memory market. Last year, we also completed a full remodeling of our existing 200mm wafer fab into 300mm R&D line and line qualification of it in just three months, allowing production of sub-50 nanometer class products immediately.



### Rising to the Top of the Industry

Our technological development goals for 2007 include the mass production of 66 nanometer DRAM and development of 50 nanometer class technology. We will apply 66 nanometer technology to 512Mb DDR2, 1Gb DDR2 and 512Mb GDDR3 products and concentrate on development of new 1Gb DDR3, GDDR4 and GDDR5 products to seize an early market advantage. To prepare for a possible 'tech war' in memory, we will start working on the development of non-volatile memory, a potential successor to DRAM and Flash memories. We will also establish and implement Cu Module infrastructure and develop a lead in applying Charge Trap Devices (CTD) to Flash memory.

### Responding to Fierce Competition

Hynix's ultimate goal is to lead change in the global market, and not be a follower that only responds to change. To that end, we are undertaking intense R&D on various fronts, targeting just one-year development cycles for a new generation of technologies and a 10% turnover of processes during technological transitions.

Hynix casts a wide net in its effort to find the brightest talent and the most promising technologies. We carefully nurture our ties to academia and our global network of industry professionals, believing that by recruiting the most capable researchers and fostering a culture where they can thrive within a 'learning organization', Hynix will benefit from their voluntary, dedicated efforts. We also form strategic partnerships and consortiums with other industry leaders, and enter into joint development agreements with international equipment makers to co-develop future production and testing technologies.





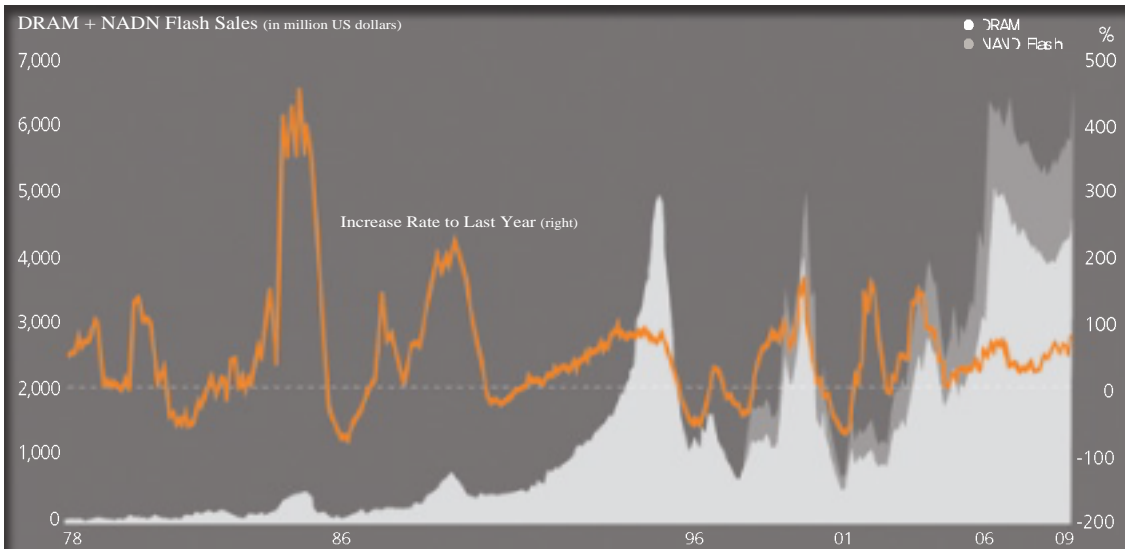
# Trends.

We forecast memory semiconductor market will continue to grow, with robust demand, market expansion, the launching of many new consumer products and improvement of the speed and performance specifications of end applications.

WSTS estimates that the world semiconductor market was worth \$247.7 billion in 2006. The memory IC market, Hynix's core area of expertise, accounted for 24% of this total, or \$58.5 billion. In memory, DRAM and NAND Flash accounted for 58% and 20% respectively. Demand for memory semiconductors continues to be strong, driven by expected stable demand for PCs, adoption of Windows Vista and higher usage of memory per system in digital telecommunication and electronic devices. In particular, WSTS forecasts that NAND Flash market will grow at an annual average rate of 19%, the highest pace among memory semiconductors.

## New Applications Drive Rising Demand

New application areas for memory are fast appearing, fuelled by the popularity of digital home appliances and next-generation mobile devices, the digital convergence of electronic goods and telecommunications, and ever evolving media contents. DRAM is being applied in diverse areas, such as digital home appliances and graphics and mobile devices, driving a steady increase in demand.



Source, WSTS

# 19%

NAND Flash Market  
3-year CAGR by 2009

# 49%

Expected Asia Pacific Portion  
in the World Semiconductor  
Market in 2009

As for NAND Flash, increased shipments of MP3 phones, navigation devices for automobiles and PMPs are expected to continue pushing the demand trend upward. With the launch of Windows Vista and the potential for improved PC performance, NAND Flash demand from USBs and memory cards are forecast to pick up, and demand for Intel's Robson, Hybrid HDD and SSD (Solid State Disk) for PCs is expected to start in 2007.

#### Increased Use of Memory

DRAM growth is expected to be steady, on the back of higher DRAM requirements per system by Windows Vista-ready PCs and the simultaneous expansion of the 64-bit PC market. The continuing popularity of digital cameras, MP3 players and other portable digital gadgets will continue to drive strong sales of NAND Flash.

#### Limited Increase in Supply

We believe that heightened technology barriers, increasing fab construction costs, increasing difficulty in technology migration toward more advanced design rules, phase-out of 200mm wafer fabs and the shift in focus by several major DRAM players toward NAND Flash memory will moderate the supply growth of memory products in the future.

#### Industry Evolution

Companies that design, manufacture and sell their own semiconductor products are referred to as IDMs. We believe that currently all of the top five DRAM makers are IDMs, enjoying greater economies of scale and better market position due to their integrated design capability, manufacturing know-how, production capacity and sales forces focused on long-term customers. In addition to the high concentration of market share captured by IDMs, consolidation is occurring among IDMs. Many have left the market, and we believe that the number of IDMs dropped significantly in the past decade.

#### Growing Demand in Asia

According to WSTS, the Asia Pacific region will account for 49% of the world semiconductor market by 2009, up from 45% in 2005, and be the main driver of market growth. Gartner Group, a market research firm, estimates that China/Hong Kong, the world's single biggest market, was worth \$72.3 billion in 2006, and will grow at an compound annual rate of 13% through 2010. They also predict that the Asian region, excluding Korea, Taiwan, Singapore and China, will grow at a rate of 12% over the same period.

# Blueprint.

Hynix will lead change, not follow it. We will rise to the top of the industry, based on world-class technology and cost leadership.



## Focus on Memory Business

Hynix is a pure-play memory semiconductor company focused on technology leadership and production efficiency that can drive cost competitiveness and superior profitability. We have achieved relatively stable and recurring free cash flow from our DRAM and NAND Flash businesses, and will continue to commit our resources and management focus to maintaining our leadership position in both businesses.

## Technological Leadership & Cost Competitiveness

Hynix has one of the most cost competitive operations in the industry, and we intend to continue to leverage our proprietary technology platform to maximize our return on capital investments and further strengthen our competitive cost structure. We plan to reinvest in 12-inch production, and fully leverage our accumulated knowledge to extend the life cycle of our fabs and maximize the return on capital invested across all our production facilities.

## Engines of Future Growth

The semiconductor market is highly prone to rapid changes in technology, demand and prices. It requires companies to be constantly on the lookout for new growth drivers. One of our strategies for coping with this environment is to develop next generation technologies and to diversify our business areas to include high-growth products in the mobile arena. We are already recruiting specialized human resources and forging the strategic alliances that will ensure the success of these initiatives.

### Expanding Strategic Partnerships

We entered into a strategic alliance with STMicroelectronics to develop and market a full portfolio of NAND Flash memory devices. This partnership allies Hynix's cost leadership and memory technologies with STMicro's applied technologies and broad customer base, creating a win-win agreement for both companies. In addition, we also seek to enter into foundry arrangements with manufacturing partners that give us flexibility in managing our capacity and that accelerate our access to 12-inch capacity with minimal capital expenditure. We entered into such an alliance with ProMOS Technologies, where ProMOS has been providing us with DRAM wafers produced at its new 12-inch wafer fab in Taiwan, using technology licensed from us. We will continue looking for strategic business partners who can contribute to Hynix's development in the areas of technology, asset utilization, R&D and market access.

### Stronger Presence in Emerging Markets

Hynix grew at a faster rate than its competitors in 2006, moving into seventh place in the world semiconductor industry and taking another step forward on the path to becoming a global company. A key determinant of our continuing rise in the industry will be our ability to preempt the competition in emerging markets. We are currently the leading supplier of DRAMs in China, where we believe that we have established a clear first-mover advantage. Hynix intends to replicate this success in India, Australia and Russia, two of the most important emerging markets for technology. At home and abroad, Hynix is establishing a strong position through aggressive marketing and brand management.

### Sound Financial Management

The memory business can be volatile and the success and long-term sustainability of a memory company depend on maintaining a healthy financial profile and operating under sound financial management. Hynix has benefited from the skills of a highly professional team of financial planners and auditors, who have been invaluable in maintaining the Company's stable financial structure while creating the flexibility to invest heavily in new growth engines. Hynix also recognizes the need for transparency and adherence to sound financial principles. As such, we will continue to provide our shareholders with timely information about our facility and other investment decisions, our income and expenses, and our overall financial health.

### Accelerated Innovation

Constant innovation is a prerequisite for survival in our industry. Knowing this, Hynix has established an enterprise-wide innovation system that shortens our response time and strengthens our organization's capabilities. We have created an environment in which each of our members can contribute individually to corporate change, and a management system that focuses on high performance. Hynix has optimized its entire work system and IT infrastructure, enabling us to make process innovation a part of everyday life at Hynix.

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# Great Work Place, Great People.

A corporate culture is a set of shared values and beliefs, and the overall atmosphere that a company's employees work in. It is an intangible asset that profoundly affects an organization's tangible results, both in the short and long term. A healthy corporate culture joins employees and management together in pursuit of common goals, brings out the best in its people, and, accordingly, produces the best results for their efforts.

Competitiveness comes from people. Since the concept of "talent management" first captured the imagination of the corporate world, management research has proven it to be directly linked to a business's ongoing success. When competition heats up, it is a company's people that maintain its advantage. Hynix is preserving and building its fundamental competitive advantages by paying constant care to the development of its world-class human resources.



Based on our four core values and the "Hynix Way", we have created a Great Work Place and Family-Oriented Management - the two overarching themes that provide the basis of our unique corporate culture and drive our efforts to become the world's best semiconductor maker. In everything we do, we strive to live up to the universal values of responsible corporate citizens, and to deliver satisfaction for our employees, customers, and shareholders.



### **Hynix's Four Core Values: Honesty & Integrity, Creation of Value, Spirit of Challenge and Respect for Others**

"Honesty & Integrity" means accepting personal responsibility for one's actions; while "Creation of Value" means ensuring that our individual value contribute to the success of the enterprise. By adopting a "Spirit of Challenge", we accept that we only reach the highest goals by being relentless in our innovation; by promising "Respect for Others" we create a nurturing environment where each member's efforts are recognized and appreciated. These four values underpin the Hynix corporate culture, promoting team spirit, enhancing individual capability, and ultimately upgrading our human resources as a whole.

### **The Hynix Way: Internalization of Values, Rational Decision-Making, Efficient Meetings, Systematic Problem-Solving and Constructive Conflict Resolution**

The Hynix Way is our guide to accelerating positive change within our organization. It consists of five tenets: "Internalization of values", which is the mindful adoption of the company's four core values; "Rational decision-making", meaning the process of making swift and careful decisions; "Efficient meetings", by which meetings are conducted in a results-oriented fashion; "Systematic problem-solving", which directs a consistent and objective approach to resolving all business-related problems; and "Constructive conflict resolution", meaning to turn confrontational energies into constructive opportunities when addressing conflicts in the workplace.

### **Creation of a Great Work Place (GWP)**

Hynix is creating a new and vibrant corporate culture - based on our four core values and the Hynix Way - to support our rise to the top of the industry. Any

of our people will tell you that our culture can be captured by four words, namely, Trust, Pride, Fun and GWP, or Great Work Place. We have assembled a GWP taskforce that is in charge of designing programs and activities that will promote trust between management and workers, and ensure that everyone at Hynix takes pride in their work and has fun as a member of our team.

### **Great Craftsmen do Great Work**

It takes a genuine craftsman to produce a work of art. To stay ahead of the ever-shortening life cycle of today's high-tech products, Hynix works to ensure that it identifies and nurtures the best R&D workers in the world. We help our brightest innovators reach their full life-long potential with personalized career counseling and professional certification programs. We do whatever it takes to make sure that our great craftsmen are given the support they need to continue developing the greatest semiconductor technologies in the world.

### **Sourcing Global Talent**

To ensure that Hynix continues to welcome the best possible talent into our workplace, we have expanded our campus recruiting programs to foreign universities, and even dispatched Hynix's senior executives to overseas campuses in an effort to win over their brightest graduating students. We are also upgrading our recruiting system in Korea, partnering with leading schools like Seoul National University and the Korea Advanced Institute of Science & Technology (KAIST) to develop candidates with the skills that suit our particular needs. Hynix also offers scholarships and sponsors a mentoring program that links Hynix staff members with promising students, further widening our access to talented young minds.

### **Fostering the Best Human Resources**

After making sure that we recruit the best and the brightest manpower, we continue to invest in their ongoing development. We operate an in-house "Hynix Management School" and a global business training center at Yongin in Korea, and offer abundant opportunities for top-notch employees to undertake extended studies overseas. Hynix also provides intensive foreign-language classes to our Korean staff, and training programs to locally-recruited personnel in our overseas facilities.

### **Innovative Talent Management System**

Successful talent management depends on systematic, long-term HR management that is attentive to individual needs. Hynix relies on its HR teams to play a key role in fostering an innovation- and performance-oriented corporate culture. In 2006, we reformed our HR practices and implemented a performance-based promotion system, something that is not yet well-established in Korea. At the same time, we upgraded our crisis management capabilities by systemizing our 'core talent pool management system, and ensured overall stability by laying out succession plans for key posts.

### **Top Talent delivers Top Performance**

Hynix aims to build an engine of sustained growth, one that is fuelled by the efforts of top-caliber manpower. We are focusing on acquiring the talents that reinforce our core competencies, and accelerating innovation through an expanded performance-based incentive system. Through the combination of multi-dimensional HR development and results-based rewards, we are confident that Hynix will continue to create new opportunities for growth.

# Great Company.

Hynix's management and employees have joined together in a new spirit of cooperation, overcoming the crises of the past and preparing for the challenges of the future. We have renewed our commitment to honesty and integrity in business, and maintain our adherence to our corporate Charter of Ethics, implemented in 2000. Hynix is systematically training key staff to lead autonomous ethics-charter compliance teams, which will rotate through each of our business units on two-year terms as a safeguard against developing conflicts of interest. These teams will take the lead in front-line training and monitoring of ethical business practices, and provide important feedback that will help us to continually upgrade our overall systems, including objective evaluation and reward processes.



Hynix operates mandatory ethics training programs that are tailored to the duties and responsibilities of management and workers in each job function. These programs make extensive use of case studies to analyze the decision-making processes in real-world situations. This material has been collected together in the “Hynix White Paper for Ethical Working”, and distributed throughout our organization.

The White Paper is now a key part of the curriculum at the Hynix “Ethics Academy”, which evolved from the forerunning “Ethics Class” program, organized for the benefit of our company’s suppliers and other interested parties. The Academy offers free classes for Hynix’s business partners, again using the case-study learning model, and helps their management teams with rolling out ethical management initiatives at their own companies. We welcomed 540 students from 283 outside organizations in 2006, and expect increased participation in 2007. Hynix has found that the Academy’s value extends beyond education, helping us to build stronger ties with our suppliers and work together in an increased atmosphere of trust and open communication.

In line with the growing importance of ethical management in sustaining a healthy, respected multinational company, we have formed the “Global Ethics Network” to link our head office to our ten overseas subsidiaries. The Network’s function is to communicate and coordinate with our foreign offices, assisting them in the development of their own autonomous ethical management systems.

Our aim in 2007 is to take concrete steps toward building a solid corporate image as an ethically-managed company. We are further refining our strategy to conform with the upcoming ISO 26000 guidelines, and studying how we can create more effective training programs and encourage the type of creativity that will differentiate our workplace from those of other large corporations. At the same time, we will continue to integrate our suppliers into our programs to spread the practice of ethical management, environmental awareness and community service.

# Thoughtful Innovation.

Imagine a world where everyone can live a safe and healthy life in a clean environment; a world where the future holds the promise of a better, more caring society. That is the dream that Hynix has for all of us, and for all our children.

For too long, the world has been rushing headlong into development without taking into account the finite resources of the earth. The growing realization by the international community that an environmental crisis is looming is reflected in such initiatives as the UN Conference on Environment & Development, the UN Framework Convention on Climate Change, and the Kyoto Protocol.





Hynix supports these global efforts to safeguard our natural world, and has adopted a comprehensive ESH (Environment, Safety & Health) policy to guide our efforts. We established our own internal ESH Vision, and obtained ISO 14001 (Environmental Management Standard) certification in 1996. Following ISO and OHSAS 18001 (Safety and Health Standard) guidelines, we subject our entire manufacturing processes to regular assessment, ensuring that our products are truly eco-friendly. In 2005, Hynix carried out an ISO 14001 and OHSAS 18001 review of its head office and our Cheongju plant, and in 2006 we were proud to have acquired ISO 14001 certification for our joint venture plant in Wuxi, China. All three locations, along with our Eugene, Oregon plant in the US, have also received Green Partnership certifications from Sony Corporation.

In 2006, Hynix met the compliance requirements of the RoHS (Restriction of Hazardous Substances) Directive, also known as the “lead-free” directive. We successfully met the demands of our customers for safer products by developing a lead-free semiconductor frame and applying technologies developed by our own ESH Technology Research Institute, which Hynix established in 2003. And, not content to merely follow government regulations, we have voluntarily drawn up a list of prohibited substances to strengthen our green purchasing policy.

Hynix not only reduces its environmental impact through careful sourcing and conservation of water and energy resources in its routine business activities, but also actively promotes environmental protection outside of the Company’s direct sphere. For example, our factories and regional offices each designate a nearby mountain or waterway as a ‘sister site’ at which Hynix’s staff participate in trash collection, and we willingly share our waste treatment facilities with the public and NGOs. We have created several awards to focus the public’s attention on environmental issues, including the “Eco-Dream Award”, the “Icheon/Yeosu Grand Environmental Award” (in conjunction with the Icheon/Yeosu Federation for Environmental Movement) and the “Chungbuk Environmental Award” (in conjunction with the Chungbuk Charter of the KFEM). We also participate in grassroots activities to preserve and protect the environment, in cooperation with local community groups.

Hynix’s commitment to environmentally-sustainable business practices is firm and ongoing. We will continue to find new and innovative ways to reduce our resource consumption and waste generation, and to promote the health of our community and its surroundings. Hynix believes that these policies are not in conflict with the realization of business success; rather, they are an integral part of our efforts to achieve customer satisfaction and become a universally-admired and respected company.

# Hope *for* *a* Better World.

We at Hynix believe in the joys of sharing our gifts with others, and so we have organized various staff initiatives that help our people to participate in improving the communities where we operate.



#### **Volunteer Activities**

Our employee volunteer programs can be traced back to the very founding of our company. They have evolved from ad hoc group-based activities to an enterprise-wide program that enjoys the participation of all levels of staff and management. The Hynix “One Team, One Institution” campaign, which pairs individual Hynix teams with partner institutions, has been particularly effective both in helping the disadvantaged in our society, and strengthening the unity of our work teams.

#### **Stewardship of Changgyungung Palace**

Hynix joined the Korean Cultural Heritage Administration’s “One Company, One Heritage” cultural stewardship campaign in April, 2006. Hynix’s role in the campaign is to participate in the upkeep of Changgyungung royal palace, and to make cultural training activities a mandatory part of overall training for new recruits, which will instill in them a lasting appreciation of the intrinsic value of our cultural heritage.

#### **Nobel Dream Prize**

The Nobel Dream Prize is one of Hynix’s community care programs. We offer 680 million KRW in scholarships to 760 or more low-income students from about 85 schools in the Icheon and Cheongju areas. Our goals with the Nobel Dream Prize are to nurture academic talent in the local community and to ease the financial burdens imposed by higher education.

#### **Labor-Management Co-sharing Activities**

Our labor and management regularly participate in a variety of co-sharing activities, in which everyone participates as an equal, regardless of their rank within the company. All activities involve some form of community outreach. One of the most successful examples is our quarterly Hynix blood donation drive, which last year involved more than 500 participants from management and the union.

#### **Volunteer Groups**

There are currently more than ten volunteer groups organized within the ranks of the Hynix family. Their activities include charity fund-raising marathon runs, working at dormitories for the indigent and disabled, gathering rice donations for NGOs and offering home-care services for the elderly. They are also active fund-raisers for welfare centers, parentless teenagers, low-income families and aging farmers. It is precisely because Hynix has recently faced severe hardships that we realize how important it is share our good fortune and help in taking care of our neighbors. We will continue expanding our volunteer programs and providing our employees with opportunities to give service to the communities that support us.

# 2006 *financials*





# Management Discussion & Analysis

## Revenues

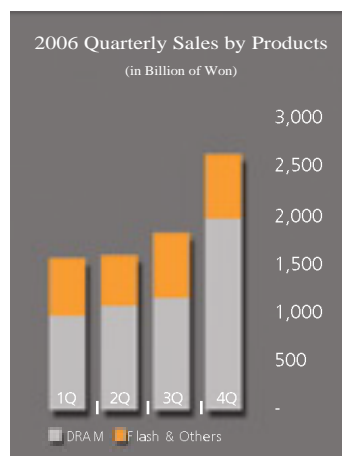
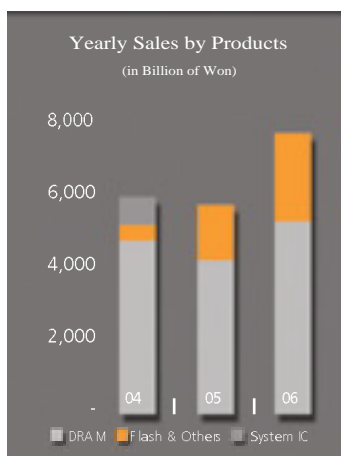
Despite the unfavorable appreciation of the Korean won against the US dollar, 2006 revenues jumped 32% to KRW 7,569 billion from KRW 5,753 billion in 2005, mostly due to above-industry-average bit growth of our DRAM and NAND Flash memory products.

DRAM products enjoyed steady demand growth and limited supply growth, which supported price levels throughout the year. The run-up to the release of Windows Vista™, and in particular, “Vista-ready” PCs, boosted demand for main memory in the second half of 2006. Adapting to these changes, Hynix boosted its marketing efforts and successfully expanded its share of the memory market. We increased the proportion of main memory in our sales portfolio, in line with the growth of the laptop market, while maintaining strong server sales. As a result, Hynix posted a 27% YoY increase in sales in 2006 with a 58% bit shipment growth which has more than offset a 14% drop in average selling prices.

Sales of NAND flash memories climbed more than 40%, despite a marked reduction in prices resulting from the absence of killer applications that drives demand for NAND Flash products. Enabling this increase in sales was our concerted efforts to achieve smooth technology migration, productivity improvement and increased portion of MLC products, which resulted in an increase in NAND Flash shipment growth of over 300% YoY.

## Cost of Goods Sold

COGS expense recorded KRW 4,834 billion in 2006, up 34% (KRW 1,228 billion) from 2005's KRW 3,606 billion. This growth was in line with the increase in our shipping volume for the year, and is primarily attributed to normal manufacturing costs. Hynix has been successful each year in reducing its unit production costs by enhancing productivity and migrating to finer geometries, which has contributed greatly to stabilizing our overall profitability.



**Selling, General and & Administrative (SG&A) Expense**

SG&A expenses rose 20% from KRW 717 billion in 2005 to KRW 862 billion in 2006. The rise was due to increased export costs which are directly linked to operating and selling activities and royalty payments, and to higher R&D costs incurred in the course of new product development. R&D spending, which accounted for the majority of 2006 SG&A expenses, was up 39% YoY to KRW 462 billion, from KRW 331 billion in 2005.

**Non-Operating Income (Loss)**

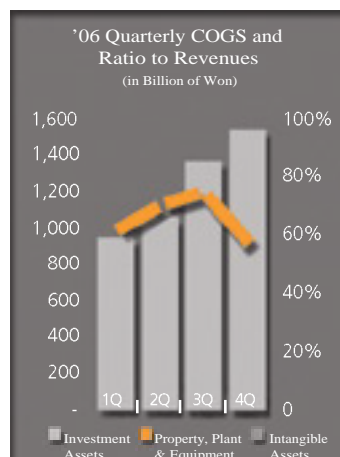
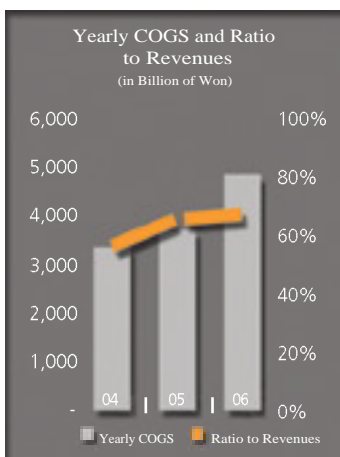
Hynix reported non-operating income of KRW 764 billion in 2006, up 1% from KRW 754 billion in 2005. Meanwhile, non-operating expenses grew 20% from KRW 670 billion to KRW 807 billion during the same period. As a result, Hynix recorded a net non-operating loss of KRW 43 billion in 2006.

**1. Foreign Currency Gain**

The US dollar continued its decline against the Korean won in 2006, falling from 1,013.00 won per dollar as of 2005 year-end to 929.68 as of 2006 year-end. Reflecting the increase in foreign-currency denominated debts, the net foreign currency gain (gain on foreign currency transactions + gain on foreign currency translation) is recognized amounting to KRW 123 billion in 2006, up 25% YoY from KRW 98 billion in 2005.

**2. Valuation of Investment Assets**

In valuing property, plant and equipment assets, Hynix estimates future cash flows from use or disposal thereof. Where the discounted cash flow value falls below the book value of the asset, the value is lowered to the recoverable amount and the difference is recognized as an impairment loss. Where the recoverable amount is estimated higher than the book value, the gain is recognized so long as it does



not exceed the asset's depreciated pre-impairment book value. Hynix has held its training center (land and building) as an investment asset to be sold since 2004. In 2006, the center was reclassified as a tangible asset for use. This reclassification resulted in the recovery of a portion of the impairment loss reported in 2004, amounting to KRW 23 billion out of KRW 36 billion originally written down.

### 3. Disposal of Investment Assets

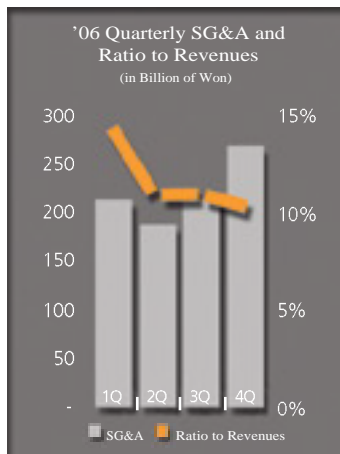
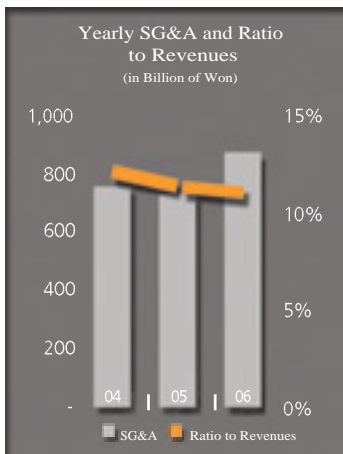
In 2006, Hynix made investments in-kind in its Chinese production subsidiaries, Hynix-ST Semiconductor Ltd. and Hynix Semiconductor (Wuxi) Ltd., and recognized the difference between the fair value and book value of the contributed assets as a gain on disposal of investment assets amounting to KRW 136 billion.

### 4. Interest

Hynix invests cash and cash equivalents, derived from trade receivables collection and external financing, in various financial instruments such as specified money trusts and repurchase agreements (RPs), and recognizes interest income from such investments. It surged 86% YoY from KRW 34 billion in 2005 to KRW 63 billion in 2006. Hynix also recognizes interest expense on external liabilities, most of which arise from financial debts such as corporate bonds and borrowings. This interest expense for 2006 totaled KRW 162 billion, resulting in a net interest expense of KRW 99 billion in 2006.

### 5. Valuation of Equity Method

Hynix uses the equity method to value the shares of investees over which it has control or exercises significant influence. Under the equity method, KRW 37 billion in investment loss was reported in 2006, as opposed to the KRW 244 billion in gains recorded in 2005. The loss was incurred as the earnings improvements in overseas subsidiaries, driven by strong sales, were overshadowed by the unrealized losses on property contributions to our production subsidiaries in China.



6. Valuation of Property, Plant & Equipment

Hynix has previously reviewed whether to recognize impairment loss when the future economic benefits are estimated to fall far below the book value of an asset due to obsolescence or a steep decline in its market value. Under our current practices, if there is a possibility of impairment and the expected future cash flow from use or disposal is less than the book value, we write down the book value to the recoverable amount and recognize the difference as an impairment loss. By this method, total impairment on equipment for 2006 amounted to KRW 59 billion.

7. Bad Debt Expense

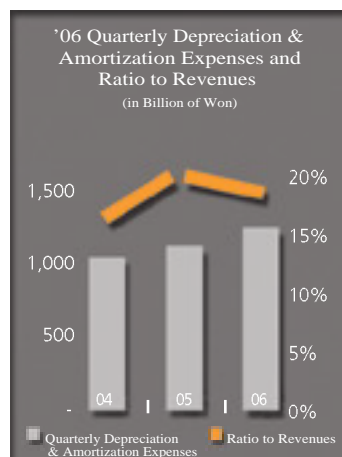
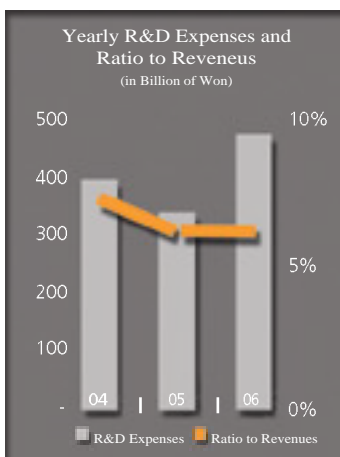
Hynix estimates its provisions for doubtful accounts based on reasonable and objective criteria. KRW 51 billion in bad debt expense was recognized in 2006.

8. Income Tax Expense

Hynix records deferred tax assets and deferred tax liability arising from the temporary differences caused by the gap between book value and tax basis of assets and liabilities or net operating loss carryforwards and tax credits. We recognize a deferred tax asset only when its tax saving effects can be realized with almost certain occurrence of taxable income. In 2006, Hynix recognized additional tax expenses of (-) KRW 182 billion, taking into account deferred tax assets.

Assets

Hynix saw its assets grow 33% YoY from KRW 10,265 billion in 2005 to 13,625 billion in 2006. Most of the asset categories such as cash & cash equivalents, trade receivables, deferred tax assets, inventory, investment securities subject to equity method and property, plant & equipment grew substantially.



### 1. Cash and Cash Equivalents / Short-term Investments

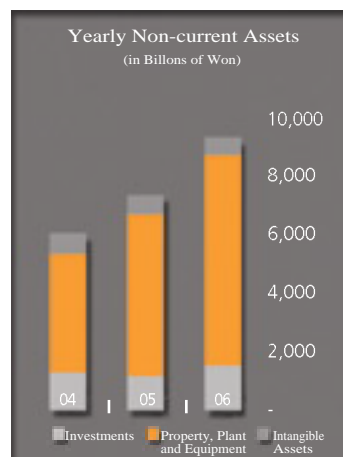
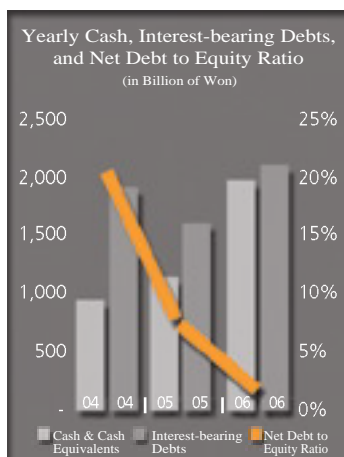
The combined amount of cash and cash equivalents and short-term investments stood at KRW 1,957 billion as of year-end 2006, up 61% from KRW 1,216 billion a year before. Cash and cash equivalents are composed of deposits in foreign currencies, time deposits, specified money trusts and RPs with original maturity of less than three months, while short-term investments are made up of time deposits, RPs and specified money trusts with original maturity of less than one year. Hynix invests cash generated by collecting trade receivables in money market funds and other highly liquid and high-return financial instruments, thereby contributing to our financing efforts.

### 2. Trade Receivables

As of year-end 2006, our trade receivables amounted to KRW 1,431 billion, up 47% from KRW 974 billion a year before. The growth reflects a substantial rise in sales during the past year. Hynix makes provisions for doubtful accounts based on reasonable and objective criteria.

### 3. Deferred Tax Asset

There exists a timing difference in recognizing income and loss between accounting and taxation, since the former adopts the realization and accrual basis, while the latter is based on the settlement principle of claims and obligations. When there is a current expense which has been recognized for accounting purposes, but to be settled in the subsequent period, we exclude it from deductible amounts for the current period, and instead deduct it in the subsequent period for tax purposes. This results in a lower taxable amount, and accordingly lower income tax, for the subsequent period. This timing difference creates a deferred tax asset. Reductions in taxable income from using carried-over net operating losses and tax credits also constitute deferred tax assets. As of year-end 2006, Hynix recognized a net operating loss of KRW 2,900 billion, generating an expected tax saving effect on ordinary income for 2007. Taking the foregoing into account, we reported a deferred tax asset of KRW 458 billion, of which KRW 352 billion stemming from carried-over operating losses was classified as a current deferred tax asset, and KRW 106 billion related to fixed assets was reported as a non-current deferred tax asset.





#### 4. Investment Securities Subject to Equity Method

As of year-end 2006, Hynix held KRW 997 billion in investment securities subject to the equity method, an increase of 109% YoY over the KRW 478 billion recorded at the end of 2005. Despite the effects of equity losses from one of our overseas manufacturing subsidiaries, the overall investment securities subject to the equity method increased in value due to equity method gains driven by the improved performance of the sales subsidiaries, and the capital and property contributions to the subsidiaries in China.

#### 5. Property, Plant & Equipment and Intangible Assets

Property, plant & equipment and intangible assets grew 23% from KRW 6,113 billion at the end of 2005 to KRW 7,546 billion at the end of 2006. Our PP&E increased by KRW 1,469 billion, reflecting our investment to increase 300mm production capacity and upgrade 200mm facilities, additional capital spending to acquire assembly & test equipments, and spending on R&D equipments. In the meantime, intangible assets shrank by KRW 36 billion, due to the amortization of goodwill.

### Liabilities

As of year-end 2006, total liabilities stood at KRW 5,092 billion, up 26% from KRW 4,038 billion in 2005. The increase is largely attributable to growth in accounts payable from purchasing raw materials to meet increased production growth, and also to the higher accrued expenses stemming from the growth in new investment. Convertible bonds issuance and long-term borrowings also contributed to the increase in liabilities.

#### 1. Corporate Bonds and Borrowings

Interest-bearing debts as of year-end 2006 were KRW 2,084 billion, posting a 27% rise from KRW 1,642 billion in 2005. In a move to raise funds to finance capital expenditures, Hynix issued convertible bonds in September, 2006, and, as a result, was injected with KRW 470 million. We also issued bonds in December to refinance debt, and paid off the remaining amount of debt subject to the Corporate Restructuring Promotion Act early in January, 2007.

### Equity

Total equity rose 37% from KRW 6,228 billion in 2005 to KRW 8,533 billion in 2006. We realized a net income in 2006 of more than KRW 2 trillion by boosting sales and cutting costs. By issuing global depository receipts, we also increased our capital stock by KRW 300 million in June, 2006. As a result of these efforts, our capital stock recorded KRW 2,313 billion as of year-end 2006 (KRW 56 billion higher than the year before), while additional paid-in capital grew by 278 billion YoY to stand at KRW 787 billion. Retained earnings also increased by KRW 2,012 billion to KRW 5,568 billion.

### Capital Stock and Others

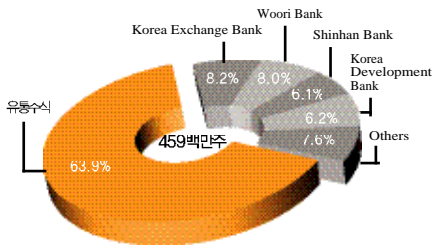
Along with the partial sale of shares, which had been issued to financial institutions under debt-equity swap agreements, Hynix issued global depository receipts in June, 2006, so that we could increase capital stock. The capital stock increase was needed to finance operations, as well as fund investment in 300mm production facilities.

Issue date	2006.6.30
Issue price	₩26,500 (\$27.7487)
Exchange rate applied	₩955 / US\$
No. of issued and outstanding shares	₩10.8 Million KRW
Total amount of issued and outstanding shares	₩2,865 Billion KRW (US\$ )

As of year-end 2006, capital stock and summary shareholder list are as follows:  
(Capital stock as of year-end 2006)

Authorized number of shares	9,000,000,000
No. of issued and outstanding shares	5,452,999,833
No. of issued and outstanding shares after reverse stock split	462,550,034
Face value per share	₩5,000
Paid-in capital (Million KRW)	2,312,750

(Stock ownership as of year-end 2006)



Shareholder	Number of shares held	Shareholding (%)
<b>Convertible Stock Co-Management Committee:</b>		
Korea Exchange Bank	37,742,000	8.2
Woori Bank	36,877,000	8.0
Korea Development Bank	28,572,000	6.2
Shinhan Bank	27,979,000	6.1
Others	34,310,000	7.6
Sub-total <sup>(1)</sup>	165,480,000	36.1
Local institutional investors	114,686,502	25.0
Foreigners	93,790,494	20.4
Individuals	85,064,993	18.5
Total <sup>(2)</sup>	459,021,989	100.0

(1) The shares held by the Convertible Stock Co-Management Committee are restrained to sell on the stock exchanges until Dec. 31, 2007 pursuant to its resolution.

(2) The difference (3,528,045) between the number of issued and outstanding shares after reverse stock split and the total in the Stock Ownership table results from cancellation of treasury stock (as implemented on Mar. 31, 2000).

# Independent Auditors' Report

## The Board of Directors and Stockholders Hynix Semiconductor Inc.

We have audited the accompanying non-consolidated balance sheets of Hynix Semiconductor Inc. (the 'Company') as of December 31, 2006 and 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations, appropriations of retained earnings and cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following matters:

(1) As discussed in Note 23 (1) to the accompanying financial statements, in October 2001, the Company was placed under the joint management by the members of the Creditor Financial Institutions' Council ('Creditor Council'), and since then the Company has significantly

improved its financial condition through debt restructuring and execution of various self-rescue plans, such as disposals of business divisions, business work-out and achievement of a substantial amount of net income in 2004. On April 20, 2005, the Creditor Council decided to terminate the joint management ahead of original scheduled date, if the Company satisfies certain pre-conditions of raising a specified amount of funds and entering into a special agreement with the Share Management Council (formerly the 'Creditor Council') for appropriate follow-up steps. In accordance with this decision, the Company raised external funds in an aggregate amount of US\$1,800 million in July 2005 and consequently, effective from July 12, 2005, the Creditor Council's operational control over the Company was terminated by entering into a special agreement between the Company and the Share Management Council.

Under the special agreement, the Company is required to consult with the Share Management Council in advance events that could have significant influence on the Company's management including (a) appointment and dismissal of directors, (b) adoption of annual budgets, (c) investments in subsidiaries, (d) mergers, acquisitions or other strategic projects, and (e) organization and operation of corporate controlling structures. The special agreement remains in effect until the members of the Share Management Council substantially sell their equity shares in the Company.

(2) As discussed in Note 23 (2) to the financial statements, in 2003, the Department of Commerce ('DOC') and the International Trade Commission ('ITC') of the United States and the European Commission ('EC') had determined that the United States and the European Union ('EU') DRAM product manufacturers had suffered damages from the Company's debt restructuring by the Creditor Council, and imposed 44.29% and 34.8% countervailing duties on imports of the DRAM product manufactured in Korea into the United States and the EU territory, respectively. The DOC adjusted the rate of countervailing duty to 58.11% in its first annual review on April 13, 2006 and the EC also adjusted the rate to 32.9% on April 12, 2006, according to a recommendation made by the World Trade Organization ('WTO'). On February 7, 2007, the DOC adjusted the rate to 31.86% in its second annual review. Accordingly, 31.86% and 32.9% counter-

vailing duties are imposed on imports of DRAM product manufactured in Korea into the United States and EU territory, respectively, effective from the dates of the adjustments.

In relation to the countervailing duty investigation against the Company as requested by DRAM product manufacturers in Japan in June 2004, the Japanese government made a final ruling to impose a 27.2% countervailing duty on DRAM products that are manufactured in Korea and imported into Japan, effective on January 27, 2006. With respect to the ruling, on March 14, 2006, the Korean government filed a complaint against the Japanese government to the WTO alleging that the ruling made by the Japanese government was unfair. As of December 31, 2006, the deliberation of the WTO is in progress.

(3) As discussed in Note 23 (3) to the financial statements, in June 2002, the United States Department of Justice ('DOJ') notified the Company that the DOJ had commenced an investigation into whether certain semiconductor manufacturers had breached the U.S. Anti-Trust Act. Meanwhile, DRAM product users in the United States filed lawsuits claiming damages from breach of the U.S. Anti-Trust Act by the Company and Hynix Semiconductor America Inc. ('HSA'), its sales subsidiary located in the United States. In order to settle the investigation commenced by the DOJ, on April 22, 2005, the Company agreed with the DOJ to pay a fine in the amount of US\$185 million in installments over the next five years without interest. Apart from the settlement of the investigation, the Company has reached settlements through separate negotiations with major DRAM product OEM users, and on April 29, 2006, the Company has reached an agreement with direct consumers' group on a civil case to pay US\$73 million. As of December 31, 2006, the Company continues to negotiate the settlements with indirect consumers' group and attorney generals of 41 states in the United States. In this regard, the Company recorded a non-operating expense of \$346,561 million (US\$332 million) until December 31, 2006, which consisted of the fine and estimated future losses expected to be incurred as settlements. On October 11, 2006, the DOJ also commenced to a separate investigation suspecting an unfair transaction among certain SRAM manufacturers and sellers including the Company. In connection with this investigation, a civil lawsuit has been brought against

the Company by direct and indirect consumers' group. As of December 31, 2006, the ultimate outcome of the lawsuits described above cannot be predicted and it could have a material effect on the Company's financial statements.

(4) As discussed in Note 23 (4) to the financial statements, the Company is a defendant to certain litigations brought by Rambus Inc. ('Rambus'), a developer of high-bandwidth chip connection technologies, with respect to the alleged infringements of Rambus's patents by the Company's manufacture, sale, offer for sale, use or otherwise disposal of Single Data Rate ('SDR') Synchronous Dynamic Random Access Memory ('SDRAM') and Double Data Rate ('DDR') SDRAM products. These litigations have been brought in Germany, France, the United Kingdom and the United States. In 2004, the European Patent Office revoked Rambus's certain key patent asserted against the Company in the EU territory.

Accordingly, in 2005, the litigation in the United Kingdom was dismissed, the litigation in France stopped proceeding further, and the litigation in Germany has been deferred without any progress. Meanwhile, in connection with the litigation in the United States, a trial was held in March and April 2006 to hear whether the Company infringed on Rambus's patents. Apart from above trial, another subsequent trial which had been scheduled for August 2006 to hear the Company's antitrust and fraud claim against Rambus, however, was stayed until February 16, 2007 or the issuance of Federal Trade Commission's final order on the breach of U.S. Anti-Trust Act by Rambus, whichever comes first. As the Federal Trade Commission issued the final order in February 2, 2007, the stay was lifted, and the trial is expected to be held in the second half of 2007. In 2005, Rambus also has brought another lawsuit against the Company and its subsidiary in the United States by alleging that the Company and its subsidiary's DDR2 and Graphic DDR SDRAM products have infringed on its patents. Also, back in 2004, Rambus filed a lawsuit against the Company, its subsidiary in the United States, and other major memory chip manufacturers, alleging that these companies kept Rambus DRAM products from entering the market. As of December 31, 2006, the ultimate outcome of the lawsuits described above cannot be predicted and it could have a material effect on the Company's financial statements.

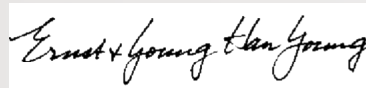
(5) As discussed in Note 23 (4) to the financial statements, in 2004, Toshiba Corporation ('Toshiba') filed patent infringement lawsuits against the Company in the Tokyo District Court and the U.S. District Court in relation to DRAM and NAND Flash products. Toshiba also filed a separate complaint with the U.S. International Trade Commission (ITC) against the Company, alleging that the Company's NAND Flash products infringed on Toshiba's patents. However, the ITC ruled that the Company's NAND Flash products did not infringe on Toshiba's patents. Subsequent to this ruling, Toshiba filed an additional complaint with the ITC and the U.S. District Court alleging that the Company's NAND Flash products infringed on Toshiba's other patents. Meanwhile, the Company filed a complaint with the ITC for infringement of the Company's patents by Toshiba's NAND Flash products and a final ruling is scheduled on March 22, 2007. As of December 31, 2006, the ultimate outcome of the lawsuits described above cannot be predicted and it could have a material effect on the Company's financial statements.

(6) As discussed in Note 23 (4) to the financial statements, in 2004, the Company paid Hyundai Heavy Industries Co., Ltd. ('HHI') a total of ₩123,677 million for its estimated share in the compensation to be paid with co-defendant, Hyundai Securities Co., Ltd ('HSC'), including interest, in connection with a ruling of the Seoul Central District Court made in January 2002 against the Company and HSC to pay ₩171,822 million as compensation to HHI. The Company entered an appeal in February 2002 and on June 14, 2006, the Seoul Appellate Court rendered a ruling that the Company and HSC should pay ₩192,942 million as a compensation to HHI. With respect to the revised ruling, the Company paid HHI an additional amount of ₩1,926 million for estimated portion of its share in the increased compensation, including interest. The Company continues to contest this case by entering an appeal to the Supreme Court of Korea on June 30, 2006. In addition, HHI initiated a separate lawsuit in December 2004 claiming that HSC and the Company should compensate for taxes levied on HHI and any related losses incurred by HHI amounting to ₩48,770 million in connection with HHI's repurchase of shares. In this regard, the Company has apportioned its estimated share of the loss with HSC and, including related accrued interest, the

Company recorded ₩24,302 million as a liability as of December 31, 2006. As of December 31, 2006, the ultimate outcome of the lawsuits described above cannot be predicted and it could have a material effect on the Company's financial statements.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

February 9, 2007



This audit report is effective as of February 9, 2007, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.



## NON-CONSOLIDATED BALANCE SHEETS

As of December 31, 2006 and 2005

(Korean won in thousands)	2006	2005
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	₩ 1,646,904,414	₩ 896,947,820
Short-term financial instruments	310,121,760	319,350,680
Trade accounts and notes receivable less allowance for doubtful accounts of ₩5,045,549 in 2006 (₩31,927,254 in 2005)	1,431,112,119	973,668,323
Other accounts receivable less allowance for doubtful accounts of 23,898,026 in 2006 (₩11,539,655 in 2005)	87,261,303	136,730,678
Inventories	624,082,238	444,841,299
Accrued income less allowance for doubtful accounts of 3,314 in 2006 (₩73,708 in 2005)	11,816,110	9,758,772
Advance payments	17,095,725	20,505,895
Prepaid expenses	40,101,072	33,894,434
Deferred income tax assets	351,722,926	174,771,886
Other current assets	185,470	742,734
<b>Total current assets</b>	<b>4,520,403,137</b>	<b>3,011,212,521</b>
<b>Property, plant and equipment :</b>		
Land 244,844,709	232,146,763	
Buildings	1,019,697,246	958,649,950
Structures	419,892,700	410,351,526
Machinery and equipment	12,743,116,271	11,521,557,309
Vehicles	924,730	908,322
Construction-in-progress	396,231,572	266,331,641
Other	383,277,276	332,835,473
	<b>15,207,984,504</b>	<b>13,722,780,984</b>
Less accumulated depreciation	(8,096,938,597)	(8,093,863,663)
Less accumulated impairment losses	(127,582,205)	(114,650,578)
Property, plant and equipment, net	6,983,463,702	5,514,266,743
<b>Investment and other assets:</b>		
Long-term financial instruments	4,042,477	8,249,603
Long-term advance payments	191,577,302	202,225,783
Long-term loans, less allowance for doubtful accounts of ₩2,204 in 2006 (₩4,098 in 2005)	199,305,274	203,005,761
Available-for-sale securities	11,727,604	15,902,395
Equity method investments	997,648,618	478,396,668
Deferred income tax assets	105,910,074	117,209,455
Intangible assets, net	562,699,378	598,668,790
Other assets	49,028,964	116,263,033
<b>Total investment and other assets</b>	<b>2,121,939,691</b>	<b>1,739,921,488</b>
<b>Total assets</b>	<b>₩ 13,625,806,530</b>	<b>₩ 10,265,400,752</b>

## NON-CONSOLIDATED BALANCE SHEETS

As of December 31, 2006 and 2005

(Korean won in thousands )	2006	2005
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Trade accounts and notes payable	₩ 648,435,361	₩ 310,575,179
Short-term borrowings	24,149,160	126,445,107
Other accounts and notes payable net of discount on present value	901,656,099	711,199,983
Accrued expenses	537,932,646	427,873,015
Current portion of long-term borrowings, net of discount on bonds and discount on present value	171,285,351	199,884,447
Other current liabilities	58,247,380	34,283,549
<b>Total current liabilities</b>	<b>2,341,705,997</b>	<b>1,810,261,280</b>
<b>Non-current liabilities:</b>		
Long-term debts, net of discount on bonds, discount on present value, conversion right adjustment and addition of redemption premium	1,888,986,898	1,315,273,660
Long-term accounts and notes payable other net of discount on present value	355,618,337	447,359,848
Long-term advances from customers	253,175,000	253,175,000
Severance and retirement benefits	246,396,906	206,133,379
Other long-term liabilities	6,501,777	5,401,020
<b>Total non-current liabilities</b>	<b>2,750,678,918</b>	<b>2,227,342,907</b>
<b>Total liabilities</b>	<b>5,092,384,915</b>	<b>4,037,604,187</b>
Commitments and contingencies	-	-
<b>Stockholders' equity:</b>		
Common stock \5,000 par value: Authorized - 9,000,000,000 shares in 2006 and 2005 Issued - 462,550,034 shares in 2006 and 451,300,715 shares in 2005	2,312,750,170	2,256,503,575
Capital surplus	786,734,275	508,775,102
Retained earnings	5,568,563,739	3,556,173,765
Capital adjustments	(134,626,569)	(93,655,877)
<b>Total stockholders' equity</b>	<b>8,533,421,615</b>	<b>6,227,796,565</b>
<b>Total liabilities and stockholders' equity</b>	<b>₩ 13,625,806,530</b>	<b>₩ 10,265,400,752</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2006 and 2005

(Korean won in thousands, except per share amount)	2006	2005
Sales	₩ 7,569,201,963	₩ 5,753,365,445
Cost of sales	4,834,121,064	3,605,764,592
Gross profit	2,735,080,899	2,147,600,853
Selling and administrative expenses	862,588,370	717,590,558
Operating income	1,872,492,529	1,430,010,295
Other income (expenses):		
Interest income	62,912,611	33,764,338
Interest expense	(163,086,720)	(160,559,332)
Dividend income	32,559	2,967,083
Bad debt expenses - other	(50,884,987)	(71,450)
Gain (loss) on foreign currency transactions, net	(660,696)	41,494,811
Gain on foreign currency translation, net	123,812,357	56,982,186
Equity in earnings (loss) of equity method investments, net	(37,652,022)	243,613,344
Impairment loss on available-for-sale securities	(1,001,520)	(29,185,571)
Gain on disposal of available-for-sale securities, net	9,122,658	79,888,649
Gain on disposal of property, plant and equipment, net	1,689,646	6,012,346
Impairment losses on property, plant, and equipment	(59,026,638)	(22,032,505)
Gain on disposal of other assets, net	135,667,517	814,408
Reversal of allowance for doubtful accounts	20,728,376	25,880,367
Loss on settlement of derivative instruments, net	(455,424)	(13,925,665)
Loss on valuation of derivative instruments	(75,633)	(3,713,455)
Others, net	(83,857,015)	(178,086,981)
	(42,734,931)	83,842,573
Ordinary income	1,829,757,598	1,513,852,868
Extraordinary gain	-	10,071,222
Income before income taxes	1,829,757,598	1,523,924,090
Benefit from income taxes	182,632,376	293,485,094
Net income	₩ 2,012,389,974	₩ 1,817,409,184
Basic earnings per share :		
Ordinary income	₩ 4,430	₩ 4,048
Net income	₩ 4,430	₩ 4,070
Diluted earnings per share :		
Ordinary income	₩ 4,415	₩ 4,037
Net income	₩ 4,415	₩ 4,059

## NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

Years ended December 31, 2006 and 2005

(Korean won in thousands)	2006	2005
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	3,556,173,765	1,740,540,569
Retained earnings adjustment arising from equity method investments	-	(1,775,988)
Net income for the year	2,012,389,974	1,817,409,184
	5,568,563,739	3,556,173,765
Proposed appropriations:		
Reserve for research and human resource development	235,506,179	-
	235,506,179	-
Unappropriated retained earnings carried forward to the next year	5,333,057,560	3,556,173,765

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005

(Korean won in thousands)	2006	2005
Cash flows from operating activities:		
Net income	2,012,389,974	1,817,409,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance and retirement benefits	67,780,525	52,451,118
Depreciation	1,290,729,519	1,077,812,229
Bad debt expense - other	50,884,987	71,450
Amortization of intangible assets	50,265,644	51,241,871
Gain on foreign currency translation, net	(123,812,357)	(56,982,186)
Interest expense	48,075,918	60,014,462
Equity in loss (earnings) of equity method investments	37,652,022	(243,613,344)
Impairment loss on available-for-sale securities	1,001,520	29,185,571
Gain on disposal of available-for-sale securities, net	(9,122,658)	(79,888,649)
Gain on disposal of property, plant and equipment, net	(1,689,646)	(6,012,346)
Impairment losses on property, plant, and equipment	59,026,638	22,032,505
Gain on disposal of other assets, net	(135,667,517)	(814,408)
Reversal of allowance for doubtful accounts	(20,728,376)	(25,880,367)
Research and development costs	32,355,263	27,537,684
Loss on valuation of inventories	8,055,373	7,170,180
Loss on settlement of derivative instruments, net	455,424	13,925,665
Loss on valuation of derivative instruments, net	75,633	3,713,455
Others, net	(42,882,303)	(57,250,287)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(440,119,963)	(171,807,955)
Other accounts receivable	57,490,186	(32,183,172)
Inventories	(197,703,593)	(94,069,069)
Advance payments	12,668,918	24,999,598
Prepaid expenses	(873,657)	4,754,937
Trade accounts and notes payable	345,559,823	80,098,972
Other accounts and notes payable	48,966,200	(29,503,500)
Accrued expenses	(5,048,126)	53,607,095
Payment of severance and retirement benefits	(27,529,748)	(15,857,085)
Others, net	(7,295,206)	169,490,625
Total adjustments	1,098,570,443	864,245,049
Net cash provided by operating activities	3,110,960,417	2,681,654,233



## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005

(Korean won in thousands)	2006	2005
Cash flows from investing activities:		
Decrease in short-term financial instruments, net	9,228,921	252,225,485
Decrease in long-term financial instruments, net	4,207,126	4,850,128
Proceeds from disposal of available-for-sale securities	10,401,486	138,520,208
Proceeds from disposal of equity method investments	1,800,630	83,326,885
Decrease in short-term loans, net	269,747	324,966
Proceeds from disposal of property, plant and equipment	32,864,742	56,787,561
Acquisition of available-for-sale securities	(1,008,885)	(14,391,738)
Acquisition of equity method investments	(321,413,617)	(84,986,076)
Acquisition of property, plant and equipment	(2,955,824,078)	(2,552,217,016)
Acquisition of intangible assets	(15,806,558)	(12,199,665)
Others, net	940,763	11,430,577
Net cash used in investing activities	(3,234,339,723)	(2,116,328,685)
Cash flows from financing activities:		
Proceeds from disposal of treasury stock	634,682	
Proceeds from short-term borrowings	-	49,425,865
Proceeds from issuance of bonds	592,054,360	784,606,389
Proceeds from long-term borrowings	169,456,055	859,619,086
Paid-in capital increase	287,490,019	-
Proceeds from stock option exercise	2,190,005	12,826,980
Payment of short-term borrowings	(102,097,895)	-
Payment of current portion of long-term borrowings	(72,426,103)	(65,485,828)
Payment of bond	-	(1,148,953,482)
Payment of long-term debts	-	(515,899,719)
Stock issuance costs	(3,965,223)	(74,551)
Net cash provided by (used in) financing activities	873,335,900	(23,935,260)
Net increase in cash and cash equivalents	749,956,594	541,390,288
Cash and cash equivalents at the beginning of the year	896,947,820	355,557,532
Cash and cash equivalents at the end of the year	1,646,904,414	896,947,820

## Milestones

1983	February	Established Hyundai Electronics Industries Co., Ltd.
1996	December	Initial public offering and listing on the Korea Stock Exchange
1999	October	Merged with Hyundai Micro Electronics Co., Ltd.(formerly, LG Semicon Co., Ltd.)
2001	March	Changed the corporate name to Hynix Semiconductor Inc.
	August	Officially disaffiliated from the former parent company, Hyundai Business Group
	October	Placed under the supervision and joint management of the Creditors Council
2002	June	Changed the largest shareholder from Hyundai Merchant Marine Co. Ltd. to Korea Exchange Bank(KEB)
2003	April	Agreed to a strategic alliance with STMicro for NAND Flash memory
	June	Established Environment/Safety/Health Technology Research Institute
2004	August	Agreed to cooperate in construction of plant in China with Wuxi City in Jiangsu Province
	October	Completed the sales of the Non-memory Business Division to MagnaChip Co. Ltd.
2005	January	Entered into a contract for strategic alliance with ProMOS of Taiwan
	April	Established Hynix-ST Semiconductor Ltd.(HSSL), a local joint venture with STMicro in China
	July	Succeeded in securing large-scale funds both at home and abroad Early-ended a joint management with the Creditors Council
2006	April	Founded Hynix Semiconductor (Wuxi) Ltd.(HSMC), Hynix's wholly owned manufacturing subsidiary in China
	September	Opened a 300mm R&D fab (R3)
	October	Completed China-based production facilities (C1 and C2)

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[www.hynix.co.kr](http://www.hynix.co.kr)