

**Hynix Semiconductor Inc.**

**Non-consolidated interim financial statements**

**(Unaudited)**

**For the three-month periods ended March 31, 2009 and 2008**

**with**

**Independent accountants' review report**

**Hynix Semiconductor Inc.**  
**For the three-month periods ended March 31, 2009 and 2008**

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## **Independent accountants' review report**

The Board of Directors and Stockholders  
Hynix Semiconductor Inc.

We have reviewed the accompanying non-consolidated interim statement of financial position of Hynix Semiconductor Inc. (the "Company") as of March 31, 2009, and the related non-consolidated statements of operations, changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2009 and 2008. These non-consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with review standards for interim financial statements in the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance about whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated statement of financial position of the Company as of December 31, 2008 and the related non-consolidated statements of operations, appropriations of retained earnings, changes in stockholders' equity and cash flows for the year then ended, (not presented separately herein) were audited by us and our report thereon, dated February 24, 2009 expressed an unqualified opinion. The accompanying comparative statement of financial position as of December 31, 2008 does not materially differ from the above audited statement of financial position as of December 31, 2008.

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

- (1) As discussed in Note 17 (1) to the non-consolidated financial statements, on July 12, 2005, the Creditor Financial Institutions ("Creditor Council") operational control over the Company since October 4, 2001, was terminated by entering into a special agreement between the Company and the Share Management Council (formerly, the Creditor Council). Under the special agreement, the Company is required to consult with the Share Management Council in advance on 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.

The Board of Directors and Stockholders  
Hynix Semiconductor Inc.

- (2) As discussed in Note 17 (3) to the non-consolidated financial statements, in June 2002, the United States Department of Justice (“DOJ”) notified the Company that the DOJ had commenced an investigation if certain Dynamic Random Access Memory (“DRAM”) manufacturers had breached the US Anti-Trust Act. In order to settle the investigation commenced by the DOJ, on April 22, 2005, the Company entered a plea agreement with the DOJ to pay a fine in the amount of US\$185 million in installments over the next five years without interest. Meanwhile, DRAM product users in the United States filed lawsuits claiming damages from the breach of the US Anti-Trust Act by the Company and Hynix Semiconductor America Inc. (“HSA”), its sales subsidiary located in the United States. In relation to the lawsuits, the Company has reached settlements through separate negotiations with several major DRAM product Original Equipment Manufacturing (“OEM”) users and, on April 29, 2006, the Company reached an agreement with the direct purchasers involved in a class-action lawsuit against the Company to pay US\$73 million. As of March 31, 2009, the Company continues to negotiate the settlements with a few direct purchasers and the indirect purchaser class, 34 state governments in the United States and the direct and indirect purchasers class of three provinces in Canada. In addition, as of March 31, 2009, an investigation commenced by the European Union Commission (“EU Commission”) is in-progress to determine whether the Company had breached the Anti-Trust Act. As a result, the Company recorded a cumulative non-operating expense of US\$437 million through March 31, 2009, which consists of the fine and estimated future losses expected to be incurred from such pending settlements. Separately, the EU Commission and the DOJ investigated unfair transactions among certain Static Random Access Memory (“SRAM”) manufacturers and sellers, including the Company, and each informed the Company in November and December 2008, respectively, that they closed their investigations. And as of March 31, 2009, in connection with the SRAM and flash memory products, several civil lawsuits have been also brought against the Company by the direct and indirect purchasers class in the United States and three provinces of Canada. As of March 31, 2009, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Company’s non-consolidated financial statements.
- (3) As discussed in ① of Note 17 (4) to the non-consolidated financial statements, the Company is a defendant to certain litigation brought by Rambus Inc. (“Rambus”), a developer of high-bandwidth chip connection technologies, with respect to the alleged infringements of Rambus’ patents by the Company’s manufacture, sales, offer for sales, use or otherwise disposal of Single Data Rate (“SDR”) Synchronous Dynamic Random Access Memory (“SDRAM”) and Double Data Rate (“DDR”) SDRAM products. The litigation has been brought in Germany, France, the United Kingdom and the United States. In 2004, the European Patent Office revoked Rambus’ certain key patents subject to such litigation against the Company in the European Union jurisdiction. Accordingly, in 2005, the litigation in the United Kingdom was dismissed, the litigation in France ceased further proceeding, and the litigation in Germany has been deferred without any progress. Meanwhile, in connection with the litigation in the United States, on March 10, 2009, the United States District Court for the Northern District of California issued the final judgment that ordered the Company to pay for damages from infringement of Rambus’ patent and to pay royalties of 1% for SDR SDRAM products and 4.25% for DDR SDRAM products to be made or sold in the United States from February 1, 2009 to April 18, 2010 while denying Rambus’ request for injunctive relief. The Company appealed the court’s final judgment to the United States Court of Appeals of the Federal Circuit on April 6, 2009. Separately, Rambus also brought another lawsuit against the Company and its subsidiary in the United States by alleging

The Board of Directors and Stockholders  
Hynix Semiconductor Inc.

that the Company and its subsidiary's DDR2 and Graphic DDR SDRAM products had infringed on Rambus' patents. Also, in 2004, Rambus filed a lawsuit against the Company, its subsidiary in the United States, and other major memory chip manufacturers alleging that these dependants kept Rambus' DRAM products from entering the market. As of March 31, 2009, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Company's non-consolidated interim financial statements.

Apart from the above litigation, as discussed in ④ of Note 17 (4), the Company is in the process of defending itself against other various lawsuits and claims regarding patent infringements. As a result, as of March 31, 2009, the Company recognized a liability for the expected future losses that are probable and can be reliably estimated. However, the final outcome of the lawsuits cannot be determined, but could have a material effect on the Company's non-consolidated financial statements.

Accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated interim financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity 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 review such non-consolidated interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated interim financial statements are for use by those who are knowledgeable about Korean accounting principles and review standards and their application in practice.

A handwritten signature in black ink that reads "Ernst & Young Han Young".

May 6, 2009

<p>This review report is effective as of May 6, 2009, the review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying non-consolidated interim financial statements and may result in modifications to this report.</p>
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**Hynix Semiconductor Inc.**  
**Non-consolidated statements of financial position**  
**As of March 31, 2009 and December 31, 2008**

(Korean won in thousands)

	<b>March 31, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	₩ 651,060,876	₩ 341,350,952
Short-term financial instruments (Note 17)	6,315,257	48,180,846
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩1,005,427 in 2009 (₩659,715 in 2008) (Notes 3 and 7)	267,656,276	290,419,768
Short-term loans, net of allowance for doubtful account of ₩2,364 in 2009 (₩2,213 in 2008) (Note 7)	20,975,472	219,171
Other accounts receivable, net of allowance for doubtful accounts of ₩7,835,327 in 2009 (₩7,477,064 in 2008) (Note 7)	148,036,334	111,862,151
Inventories, net (Note 4)	738,535,442	766,714,625
Prepaid expenses	76,308,186	86,938,052
Other current assets (Notes 5 and 7)	36,221,561	33,822,992
Total current assets	<u>1,945,109,404</u>	<u>1,679,508,557</u>
Non-current assets:		
Long-term financial instruments	3,322,360	3,322,360
Available-for-sale securities (Notes 6 and 17)	27,818,794	23,069,512
Equity method investments (Notes 6 and 7)	2,964,029,622	2,557,640,779
Long-term loans, net of allowance for doubtful accounts of ₩15,879 in 2009 (₩17,422 in 2008) (Note 7)	18,971,465	37,365,497
Long-term accrued revenues, net of allowance for doubtful accounts of ₩1,186,849 in 2009 (₩1,186,849 in 2008)	-	-
Investment properties (Note 8)	80,399,157	114,554,416
Long-term advance payments	159,905,382	172,012,110
Deferred income tax assets (Note 24)	422,063,775	422,063,775
Property, plant and equipment, net (Notes 7, 8, 9 and 15)	7,251,412,167	7,678,412,873
Intangible assets, net (Note 9)	487,760,132	495,769,252
Other assets (Note 11)	16,370,563	15,621,060
Total non-current assets	<u>11,432,053,417</u>	<u>11,519,831,634</u>
Total assets	<u>₩ 13,377,162,821</u>	<u>₩ 13,199,340,191</u>

(Continued)

See accompanying notes.

**Hynix Semiconductor Inc.**  
**Non-consolidated statements of financial position (cont'd)**  
**As of March 31, 2009 and December 31, 2008**

(Korean won in thousands)

	<b>March 31, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Trade accounts and notes payable (Note 7)	₩ 907,566,615	₩ 747,818,201
Short-term borrowings (Notes 13 and 17)	1,388,497,081	935,054,304
Other accounts and notes payable, net of discount on present value (Notes 7, 14 and 17)	575,661,012	818,629,989
Accrued expenses (Notes 7 and 17)	1,119,573,653	834,569,772
Current portion of bonds and long-term borrowings, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium (Notes 9, 14, 15 and 18)	665,870,097	585,543,799
Other current liabilities (Notes 7, 12 and 18)	171,480,428	209,005,728
Total current liabilities	<u>4,828,648,886</u>	<u>4,130,621,793</u>
Non-current liabilities:		
Bonds and long-term borrowings, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium (Notes 9, 14, 15 and 17)	3,455,963,157	3,331,332,261
Other long-term accounts and notes payable, net of discount on present value (Notes 14 and 17)	221,981,578	227,879,255
Severance and retirement benefits	317,721,086	311,474,730
Other long-term liabilities (Notes 16, 17 and 18)	119,847,036	107,829,738
Total non-current liabilities	<u>4,115,512,857</u>	<u>3,978,515,984</u>
Total liabilities	<u>8,944,161,743</u>	<u>8,109,137,777</u>
Commitments and contingencies (Notes 7, 14 and 17)	-	-
Stockholders' equity:		
Capital stock (Note 19)	2,615,745,475	2,315,654,175
Capital surplus (Note 20)	950,341,995	929,002,855
Capital adjustments (Notes 7, 19 and 21)	5,791,146	5,839,683
Accumulated other comprehensive income (Notes 6, 22 and 29)	699,571,608	483,642,719
Retained earnings (Note 22)	161,550,854	1,356,062,982
Total stockholders' equity	<u>4,433,001,078</u>	<u>5,090,202,414</u>
Total liabilities and stockholders' equity	<u>₩ 13,377,162,821</u>	<u>₩ 13,199,340,191</u>

See accompanying notes.

**Hynix Semiconductor Inc.**  
**Non-consolidated statements of operations (unaudited)**  
**For the three-month periods ended March 31, 2009 and 2008**  
(Korean won in thousands, except for per share amounts)

	<b>Three-month periods ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Sales (Notes 7, 17 and 27)	₩ 1,197,768,632	₩ 1,572,657,012
Cost of sales (Notes 7, 17 and 25)	1,552,595,082	1,807,282,009
Gross loss	(354,826,450)	(234,624,997)
Selling and administrative expenses (Notes 7, 8, 9, 10 and 23)	297,642,082	270,472,446
Operating loss	(652,468,532)	(505,097,443)
Other income (expenses):		
Interest income (Note 7)	4,851,568	26,453,388
Interest expense (Notes 7 and 8)	(86,873,919)	(47,467,563)
Rental income (Note 7)	10,826,990	8,010,354
Bad debt expenses - other	(340,395)	(1,186,327)
Reversal of allowance for doubtful accounts (Note 7)	23,909	1,063,135
Loss on foreign currency transactions, net	(89,697,397)	(14,884,397)
Loss on foreign currency translation, net	(298,971,178)	(153,828,005)
Gain on disposal of available-for-sale securities, net (Note 6)	267,360	-
Equity in earnings of equity method investments, net (Note 7)	195,090,925	6,569,868
Loss on disposal of investment properties, net	(7,331,627)	-
Gain on disposal of property, plant and equipment, net (Note 8)	13,817,628	34,551
Loss on disposal of trade accounts and notes receivable	(6,725,671)	(2,894,330)
Depreciation of idle assets (Note 8)	(30,257,763)	(604,024)
Loss on valuation of derivatives, net (Note 18)	(32,399,156)	(2,385,740)
Miscellaneous income (loss), net (Note 17)	(213,399,822)	12,225,909
Others, net (Note 26)	(1,100,399)	(838,291)
	<u>(542,218,947)</u>	<u>(169,731,472)</u>
Loss before income taxes	(1,194,687,479)	(674,828,915)
Benefit from income taxes (Note 24)	175,351	44,397
Net loss (Note 29)	<u>₩ (1,194,512,128)</u>	<u>₩ (674,784,518)</u>
Loss per share (Note 28):		
Basic	₩ 2,344	₩ 1,469
Diluted	<u>₩ 2,344</u>	<u>₩ 1,469</u>

See accompanying notes.

**Hynix Semiconductor Inc.**  
**Non-consolidated statements of changes in stockholders' equity (unaudited)**  
**For the three-month periods ended March 31, 2009 and 2008**

(Korean won in thousands)

	<b>Capital stock</b>	<b>Capital surplus</b>	<b>Capital adjustments</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Retained earnings</b>	<b>Total</b>
As of January 1, 2008 (as previously stated)	₩ 2,313,783,365	₩ 852,386,611	₩ 14,660,920	₩ (53,496,800)	₩ 5,908,953,435	₩ 9,036,287,531
Cumulative effect of change in accounting policy (Note 2)	-	8,298,722	-	(166,219,876)	166,670,851	8,749,697
As of January 1, 2008 (as restated)	2,313,783,365	860,685,333	14,660,920	(219,716,676)	6,075,624,286	9,045,037,228
Net loss	-	-	-	-	(674,784,518)	(674,784,518)
Exercise of stock options	226,000	118,923	(120,148)	-	-	224,775
Forfeiture of stock options	-	8,585,878	(8,585,878)	-	-	-
Stock-based compensation expenses	-	-	3,494,742	-	-	3,494,742
Changes of capital arising from equity method investments	-	2,486,901	-	207,693,446	-	210,180,347
Loss on valuation of available-for-sale securities	-	-	-	(122,634)	-	(122,634)
Effect of deferred income taxes	-	-	-	(133,922)	89,835	(44,087)
As of March 31, 2008 (as restated, unaudited)	<u>₩ 2,314,009,365</u>	<u>₩ 871,877,035</u>	<u>₩ 9,449,636</u>	<u>₩ (12,279,786)</u>	<u>₩ 5,400,929,603</u>	<u>₩ 8,583,985,853</u>
As of January 1, 2009	₩ 2,315,654,175	₩ 929,002,855	₩ 5,839,683	₩ 483,642,719	₩ 1,356,062,982	₩ 5,090,202,414
Net loss	-	-	-	-	(1,194,512,128)	(1,194,512,128)
Exercise of stock options	91,300	47,796	(48,537)	-	-	90,559
Paid-in capital	300,000,000	21,291,344	-	-	-	321,291,344
Changes of capital arising from equity method investments	-	-	-	211,279,889	-	211,279,889
Gain on valuation of available-for-sale securities	-	-	-	4,824,351	-	4,824,351
Effect of deferred income taxes	-	-	-	(175,351)	-	(175,351)
As of March 31, 2009 (unaudited)	<u>₩ 2,615,745,475</u>	<u>₩ 950,341,995</u>	<u>₩ 5,791,146</u>	<u>₩ 699,571,608</u>	<u>₩ 161,550,854</u>	<u>₩ 4,433,001,078</u>

See accompanying notes.

**Hynix Semiconductor Inc.**  
**Non-consolidated statements of cash flows (unaudited)**  
**For the three-month periods ended March 31, 2009 and 2008**  
(Korean won in thousands)

	<b>Three-month periods ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	₩ (1,194,512,128)	₩ (674,784,518)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for severance and retirement benefits	20,044,444	21,195,539
Depreciation	416,297,414	458,379,034
Amortization of intangible assets	13,187,154	12,960,347
Research and development costs	27,442,045	19,449,030
Stock-based compensation expenses	-	3,333,474
Interest expense	19,233,547	15,991,464
Bad debt expense	345,712	-
Reversal of allowance for doubtful accounts	(23,909)	(1,063,135)
Bad debt expense - other	340,395	1,186,327
Loss on foreign currency translation, net	298,587,179	153,828,005
Gain on disposal of available-for-sale securities, net	(267,360)	-
Equity in earnings of equity method investments, net	(195,090,925)	(6,569,868)
Loss on disposal of investment properties	7,331,627	-
Gain on disposal of property, plant and equipment, net	(13,817,628)	(34,551)
Depreciation of idle assets	30,257,763	604,024
Reversal of loss on valuation of inventories	(116,391,315)	-
Loss on valuation of inventories	-	50,299,993
Reversal of allowance for expected contract loss	(2,666,159)	(9,140,765)
Miscellaneous loss (income), net	209,928,225	(8,937,000)
Others, net	33,124,878	2,759,468
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	17,429,610	232,075,840
Other accounts receivable	(27,899,759)	(27,721,386)
Prepaid expenses	(6,386,310)	(58,222,828)
Other current assets	1,286,769	(115,796,136)
Inventories	144,570,498	(115,494,268)
Long-term advance payments	(1,982,723)	(11,366,050)
Other non-current assets	26,438	311
Trade accounts and notes payable	180,593,473	21,605,943
Other accounts and notes payable	(278,899,885)	123,471,383
Accrued expenses	15,227,978	(20,578,619)
Other current liabilities	(53,981,927)	12,463,622
Other long-term accounts and notes payable	(4,251,467)	-
Payments of severance and retirement benefits, net	(13,798,088)	(4,882,781)
Other non-current liabilities	269,372	1,196,192
Total adjustments	<u>720,067,066</u>	<u>750,992,609</u>
Net cash provided by (used in) operating activities	₩ (474,445,062)	₩ 76,208,091

(Continued)  
See accompanying notes.

**Hynix Semiconductor Inc.**  
**Non-consolidated statements of cash flows (unaudited) (cont'd)**  
**For the three-month periods ended March 31, 2009 and 2008**  
(Korean won in thousands)

	<b>Three-month periods ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from investing activities:</b>		
Decrease in short-term financial instruments, net	₩ 41,865,589	₩ 39,681,959
Decrease in long-term loans	67,260	-
Proceeds from disposal of available-for-sale securities	267,360	4,784
Proceeds from disposal of investment properties	23,265,508	-
Proceeds from disposal of property, plant and equipment	15,013,753	36,030,378
Proceeds from disposal of intangible assets	-	14,212
Acquisition of equity method investments	-	(2,701,000)
Increase in long-term loans	(2,649,522)	(4,305,000)
Acquisition of property, plant and equipment	(17,192,485)	(869,866,160)
Acquisition of intangible assets	(6,004,093)	(6,548,311)
Others, net	(553,179)	(154,733)
Net cash provided by (used in) investing activities	<u>54,080,191</u>	<u>(807,843,871)</u>
<b>Cash flows from financing activities:</b>		
Drawdown of short-term borrowings	412,079,385	57,922,930
Proceeds from long-term borrowings	14,114,000	50,687,206
Proceeds from issuance of bonds	-	149,150,200
Proceeds from paid-in capital	324,000,000	-
Proceeds from stock option exercise	91,300	226,000
Repayments of current portion of long-term borrowings	(17,495,673)	(1,225)
Repayments of long-term borrowings	(5,561)	(1,522,986)
Stock issuance costs	(2,708,656)	(1,225)
Net cash provided by financing activities	<u>730,074,795</u>	<u>256,460,900</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>309,709,924</b>	<b>(475,174,880)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>341,350,952</u>	<u>1,358,798,659</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>₩ 651,060,876</u>	<u>₩ 883,623,779</u>

See accompanying notes.

## **Hynix Semiconductor Inc.**

### **Notes to non-consolidated interim financial statements**

#### **For the three-month periods ended March 31, 2009 and 2008**

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#### **1. Corporate information**

Hynix Semiconductor Inc. (the “Company”) was incorporated on October 15, 1949 under the laws of the Republic of Korea. The Company is engaged in the manufacturing and marketing of semiconductors and the Company’s shares have been listed on the Korea Exchange since 1996. The Company has its headquarters in I-cheon and a branch office in Seoul. Production facilities of the Company are located in I-cheon and Cheong-ju.

#### **2. Summary of significant accounting policies**

##### **Basis of financial statement preparation**

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (“Korean GAAP”). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent accountants' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Certain supplementary information attached to the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, results of operations, changes in stockholders’ equity and cash flows is not presented in the accompanying non-consolidated financial statements.

##### **Significant accounting policies**

The significant accounting polices applied to prepare the accompanying interim financial statements, which do not necessarily include all the information and notes as required for the annual financial statements, are the same as those applied to prepare and therefore, should also be referred to the annual financial statements for the year ended December 31, 2008

**Hynix Semiconductor Inc.****Notes to non-consolidated interim financial statements****For the three-month periods ended March 31, 2009 and 2008**

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**3. Accounts receivable factored**

Outstanding accounts receivables factored with financial institutions as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008	Factoring terms
Trade accounts and notes receivable	₩ 465,982	₩ 507,459	With recourse

**4. Inventories**

Inventories as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008
Finished goods	₩ 297,517	₩ 398,268
Work in-process	615,035	636,705
Raw materials	77,116	105,887
Supplies	7,166	10,327
Materials in-transit	48,711	38,929
	1,045,545	1,190,116
Less: valuation allowance	(307,010)	(423,401)
	₩ 738,535	₩ 766,715

**5. Other current assets**

Other current assets as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008
Advance payments	₩ 32,866	₩ 30,390
Accrued income, net of allowance for doubtful accounts of nil in 2009 and ₩22 in 2008	3,356	3,433
	₩ 36,222	₩ 33,823

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities

- (a) Available-for-sale securities as of March 31, 2009 and December 31, 2008 consist of the following (Korean won in millions):

	March 31, 2009 (unaudited)				
	Number of shares	Ownership (%)	Acquisition cost	Fair value/ proportionate net asset value	Book value (*1)
Equity securities:					
Hyundai Information Technology Co., Ltd.	2,320,360	4.61	₩ 6,962	₩ 2,321	₩ 2,321
Hydi Tech Co., Ltd.	75,000	12.78	779	(257)	-
Hyundai Logistics Co., Ltd.	30,230	0.25	151	354	196
Yonsei Digital Co., Ltd.	138,000	7.68	155	71	-
Eqbestech Co., Ltd.	2,000	1.67	10	21	10
Novelis Korea Ltd.	159	0.12	1,699	468	1,699
Hanse Telecom Co., Ltd.	7,000	0.49	385	4	-
T.on Telecom Co., Ltd.	108,000	5.78	2,700	(697)	-
U.P.D. Co., Ltd.	1,874,400	18.56	8,747	-	-
Itest Co., Ltd.	48,178	2.83	1,166	420	1,166
Hyundai IT Corp.	25,286	0.03	63	13	8
Hydis Technology Co., Ltd.	68,140	0.21	-	379	-
Trigem Computer Inc.	640	0.00	1	2	1
Hynix HRD Center Co., Ltd. (*2)	59,102	98.50	1,195	1,813	1,169
Hylogitech Co., Ltd. (*2)	39,401	98.50	441	516	431
Fidelix Co., Ltd.	1,605,854	9.89	3,560	3,075	3,075
Futurescope technology Co., Ltd.	60,000	15.00	300	304	300
C&S technology Co. Ltd.	1,031,590	5.00	4,508	2,481	2,481
Pantech & Curitel Co., Ltd.	13,665,000	2.49	-	(320)	-
ZMOS Technology Inc.	2,000,000	5.11	995	(5)	995
Phison Electronics Corp.	2,506,638	1.95	11,661	9,938	9,938
Anobit Technologies Ltd.	204,248	3.69	3,123	377	3,123
Specified money trusts (*3)	16,800,000	0.23	941	905	905
Hynix Semiconductor Indian					
Subcontinent Private Ltd. (HSIS) (*2)	100	1.00	-	-	-
Anhui Wanyan Electronics System Inc. (WANYAN)	Certificate of investment	12.91	1,623	-	-
Globalstar Thailand Limited. (*4)	34,299	34.30	93	-	-
Pak Globalstar (Private) Ltd. (*4)	Certificate of investment	44.20	106	-	-
			₩ 51,364	₩ 22,183	₩ 27,818

(\*1) In the event a difficulty arises in measuring reliably the fair value of available-for-sales securities due to the lack of underlying data or credibility of data, the securities were accounted for at acquisition cost.

(\*2) Investments in these entities were not accounted for using the equity method of accounting as the investee's total assets were less than ₩10,000 million, and the changes in carrying amount of investments were immaterial.

(\*3) After liquidation of the specified money trusts, the Company is expected to obtain available-for-sale securities on the number of shares and ownership percentage as above.

(\*4) Investments in these entities were not accounted for using the equity method of accounting as the investees were under liquidation proceedings as of March 31, 2009.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

	December 31, 2008				
	Number of shares	Ownership (%)	Acquisition cost	Fair value/ proportionate net asset value	Book value
Equity securities:					
Hyundai Information Technology Co., Ltd.	2,320,360	4.61	₩ 6,962	₩ 1,625	₩ 1,625
Hyundai Unicorns Co., Ltd.	91,440	76.20	34,290	(12,026)	-
Hydi Tech Co., Ltd.	75,000	12.78	779	(257)	75
Hyundai Logistics Co., Ltd.	30,230	0.25	151	292	196
Yonsei Digital Co., Ltd.	138,000	7.68	155	55	-
Eqbestech Co., Ltd.	2,000	1.67	10	18	10
Novelis Korea Ltd.	159	0.12	1,699	468	1,699
Hanse Telecom Co., Ltd.	7,000	0.49	385	3	-
T.on Telecom Co., Ltd.	108,000	5.78	2,700	(397)	-
U.P.D. Co., Ltd.	1,874,400	18.56	8,747	-	-
Itest Co., Ltd.	48,178	6.89	1,166	441	1,166
Hyundai IT Corp.	25,286	0.03	63	6	6
Hydis Technology Co., Ltd.	68,140	3.93	-	7,207	-
Trigem Computer Inc.	640	0.00	1	2	1
Hynix HRD Center Co., Ltd.	59,102	98.50	1,195	1,811	1,169
Hylogitech Co., Ltd.	39,401	98.50	441	539	431
Fidelix Co., Ltd.	1,605,854	9.89	3,560	1,991	1,991
Futurescope Technology Co., Ltd.	60,000	15.00	300	304	300
C&S Technology Co. Ltd.	1,031,590	5.26	4,508	2,527	2,527
Pantech & Curitel Co., Ltd.	13,665,000	2.49	-	(320)	-
ZMOS Technology Inc.	2,000,000	5.12	995	(5)	995
Phison Electronics Corp.	2,506,638	1.98	11,661	6,188	6,188
Anobit Technologies Ltd.	204,248	3.69	3,123	377	3,123
Specified money trusts	16,800,000	0.23	941	1,567	1,567
Hynix Semiconductor Indian					
Subcontinent Private Ltd. (HSIS)	100	1.00	-	-	-
Anhui Wanyan Electronics System Inc. (WANYAN)	Certificate of investment	12.91	1,623	-	-
Globalstar Thailand Ltd.	34,299	34.30	93	-	-
Pak Globalstar (Private) Ltd.	Certificate of investment	44.20	106	-	-
			<u>₩ 85,654</u>	<u>₩ 12,416</u>	<u>₩ 23,069</u>

Among the above available-for-sale securities, 2,320,360 shares of Hyundai Information Technology Co., Ltd., 30,230 shares of Hyundai Logistics Co., Ltd. were deposited in an escrow account in relation to the investment in-kind in Prudential Investments & Securities Co., Ltd., formerly Hyundai Investment & Securities Co., Ltd. (Note 17 (4) ③).

The Company recognized impairment loss on available-for-sale securities amounting to ₩75 million during the three-month periods ended March 31, 2009 and the accumulated impairment loss on available-for-sale securities amounted to ₩14,588 million as of March 31, 2009.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

The unrealized gain or loss on available-for-sale securities resulted from changes in market values of listed investees. The details of changes in unrealized gain or loss on available-for-sale securities for the three-month periods ended March 31, 2009 and the year ended December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (Unaudited)		
	January 1, 2009	Valuation	March 31, 2009
Hyundai Information Technology Co., Ltd.	₩ 1,243	₩ 696	₩ 1,939
Hyundai IT Corp.	(57)	2	(55)
Hyundai Logistics Co., Ltd.	15	-	15
Hynix HRD Center Co., Ltd.	(26)	-	(26)
Hylogitech Co., Ltd.	(10)	-	(10)
Fidelix Co., Ltd.	(1,569)	1,084	(485)
C&S Technology Co. Ltd.	(1,981)	(46)	(2,027)
Phison Electronics Corp.	(5,473)	3,751	(1,722)
Specified money trusts	626	(663)	(37)
	<u>₩ (7,232)</u>	<u>₩ 4,824</u>	<u>₩ (2,408)</u>

	December 31, 2008		
	January 1, 2008	Valuation	December 31, 2008
Hyundai Information Technology Co., Ltd.	₩ 2,472	₩ (1,229)	₩ 1,243
Hyundai IT Corp.	-	(57)	(57)
Hyundai Logistics Co., Ltd.	15	-	15
Hynix HRD Center Co., Ltd.	-	-	(26)
Hylogitech Co., Ltd.	-	-	(10)
Fidelix Co., Ltd.	-	(1,569)	(1,569)
C&S Technology Co. Ltd.	-	(1,981)	(1,981)
Phison Electronics Corp.	-	(5,473)	(5,473)
Specified money trusts	-	626	626
	<u>₩ 2,487</u>	<u>₩ (9,683)</u>	<u>₩ (7,232)</u>

The balance of unrealized loss on available-for-sale securities are ₩2,838 million and ₩7,646 million, net of deferred tax effects of ₩430 million and ₩414 million, as of March 31, 2009 and December 31, 2008, respectively. The unrealized losses on available-for-sale securities on Hynix HRD Center Co., Ltd. and Hylogitech Co., Ltd. were transferred from changes of capital arising from equity method investments to unrealized losses on available-for-sale securities as those securities were transferred from equity method investments to available-for-sale securities. During the year ended December 31, 2008, the two companies were established by the spin-off of the equity method investee, Astec Co., Ltd., which is now Hynix Engineering Co., Ltd.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

(b) Equity method investments as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)				
	Number of shares	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Hynix Engineering Co., Ltd.	1,196,784	98.50	₩ 9,209	₩ 33,246	₩ 32,224
Hystech Co., Ltd.	236,408	98.50	4,071	5,196	5,219
Hyundai Display Technology Inc.	10,000	100.00	125	12,506	12,506
Siliconfile Technologies Inc. (*1)	2,358,832	30.00	22,835	8,861	20,294
Hynix Semiconductor America Inc. (HSA)	6,285,587	97.74	1,231,196	61,268	57,942
Hynix Semiconductor Manufacturing America Inc. (HSMA)	100,000	0.05	98	(34)	-
Hynix Semiconductor Europe Holding Ltd. (HSE)	335,640,000	100.00	446,766	4,717	4,966
Hynix Semiconductor Deutschland GmbH (HSD)	Certificate of investment	100.00	80,956	32,717	33,818
Hynix Semiconductor Asia Pte., Ltd. (HSS)	196,303,500	100.00	137,532	66,056	66,288
Hynix Semiconductor Hong Kong Ltd. (HSH)	170,693,661	100.00	223,233	55,270	55,709
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	Certificate of investment	100.00	6,357	8,378	8,160
Hynix Semiconductor Japan Inc. (HSJ)	20,000	100.00	81,587	49,516	49,827
Hynix Semiconductor Taiwan Inc. (HST)	35,725,000	100.00	13,330	21,471	23,181
Hynix-Numonyx Semiconductor Ltd. (HNSL)	Certificate of investment	72.29	1,118,943	1,971,658	1,972,736
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	Certificate of investment	100.00	308,015	612,337	621,160
			₩ 3,684,253	₩ 2,943,163	₩ 2,964,030

(\*1) During the year ended December 31, 2008, the Company acquired a 30% interest of Siliconfile Technologies Inc., listed in the KOSDAQ. The excess of the cost of the investment over the Company's proportionate net asset value amounted to ₩13,041 million at the date of acquisition and the balance of ₩11,738 million (₩12,390 million as of December 31, 2008) remained as of March 31, 2009. The market value of the securities is ₩9,907 million (₩6,982 million as of December 31, 2008) as of March 31, 2009.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

	December 31, 2008				
	Number of shares	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Hynix Engineering Co., Ltd.	1,196,784	98.50	₩ 9,209	₩ 32,276	₩ 29,125
Hystech Co., Ltd.	236,408	98.50	4,071	4,827	4,861
Hyundai Display Technology Inc.	10,000	100.00	125	12,315	12,315
Siliconfile Technologies Inc.	2,358,832	30.00	22,835	9,162	21,552
Hynix Semiconductor America Inc. (HSA)	6,285,587	97.74	1,231,196	59,752	56,847
Hynix Semiconductor Manufacturing America Inc. (HSMA)	100,000	0.05	98	(28)	-
Hynix Semiconductor Europe Holding Ltd. (HSE)	335,640,000	100.00	446,766	3,016	2,658
Hynix Semiconductor Certificate Deutschland GmbH (HSD)	of investment	100.00	80,956	30,556	30,943
Hynix Semiconductor Asia Pte., Ltd. (HSS)	196,303,500	100.00	137,532	57,627	57,466
Hynix Semiconductor Hong Kong Ltd. (HSH)	170,693,661	100.00	223,233	43,422	43,495
Hynix Semiconductor Certificate (Shanghai) Co., Ltd. (HSCS)	of investment	100.00	6,357	7,259	7,052
Hynix Semiconductor Japan Inc. (HSJ)	20,000	100.00	81,587	40,960	40,851
Hynix Semiconductor Taiwan Inc. (HST)	35,725,000	100.00	13,330	5,867	5,455
Hynix-Numonyx Certificate Semiconductor Ltd. (HNSL)	of investment	72.29	1,118,943	1,746,764	1,732,681
Hynix Semiconductor Certificate (Wuxi) Ltd. (HSMC)	of investment	100.00	308,015	502,536	512,340
			₩ 3,684,253	₩ 2,556,311	₩ 2,557,641

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

The details of changes in carrying amount of equity method investments for the three-month periods ended March 31, 2009 and the year ended December 31, 2008 are as follows. (Korean won in millions):

	March 31, 2009 (unaudited)				
	Balance at Jan. 1, 2009	Equity in earnings (loss) of investee (*1)	Share of Changes in other comprehensive income	Other	Balance at March 31, 2009
Hynix Engineering Co., Ltd.	₩ 29,125	₩ 3,123	₩ (24)	₩ -	₩ 32,224
Hystech Co., Ltd.	4,861	358	-	-	5,219
Hyundai Display Technology Inc.	12,315	191	-	-	12,506
Siliconfile Technologies Inc.	21,552	(1,271)	13	-	20,294
Hynix Semiconductor America Inc. (HSA)	56,847	24,767	(23,672)	-	57,942
Hynix Semiconductor Manufacturing America Inc. (HSMA)	-	(16)	(2)	18	-
Hynix Semiconductor Europe Holding Ltd. (HSE)	2,658	2,494	(186)	-	4,966
Hynix Semiconductor Deutschland GmbH (HSD)	30,943	1,992	883	-	33,818
Hynix Semiconductor Asia Pte., Ltd. (HSS)	57,466	4,209	4,613	-	66,288
Hynix Semiconductor Hong Kong Ltd. (HSH)	43,495	9,035	3,179	-	55,709
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	7,052	381	727	-	8,160
Hynix Semiconductor Japan Inc. (HSJ)	40,851	9,264	(288)	-	49,827
Hynix Semiconductor Taiwan Inc. (HST)	5,455	18,119	(393)	-	23,181
Hynix-Numonyx Semiconductor Ltd. (HNSL)	1,732,681	81,664	158,391	-	1,972,736
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	512,340	40,781	68,039	-	621,160
	₩ 2,557,641	₩ 195,091	₩ 211,280	₩ 18	₩ 2,964,030

(\*1) Equity in earnings (loss) of investee is the proportionate net income or loss considering unrealized gain or loss from inter-company transactions, amortization of goodwill, foreign exchange translation from inter-company transactions, etc.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

	December 31, 2008						
	Balance at Jan. 1, 2008	Equity in earnings (loss) of investee	Share of changes in:			Acquisition (disposal)	Balance at Dec. 31, 2008
			Capital surplus	Other comprehensive income	Other		
Hynix Engineering Co., Ltd.	₩ 34,470	₩ 23	₩ 169	₩ -	₩ -	₩ (5,537)	₩ 29,125
Hystech Co., Ltd.	-	775	(121)	-	-	4,207	4,861
Hyundai Display Technology Inc.	11,566	749	-	-	-	-	12,315
Siliconfile Technologies Inc.	-	(1,283)	-	-	22,835	-	21,552
Hynix Semiconductor America Inc. (HSA)	386,939	(392,114)	2,485	56,836	2,701	-	56,847
Hynix Semiconductor Manufacturing America Inc. (HSMA)	150	(187)	1	36	-	-	-
Hynix Semiconductor Europe Holding Ltd. (HSE)	2,002	18,880	-	(18,224)	-	-	2,658
Hynix Semiconductor Deutschland GmbH (HSD)	24,657	2,859	-	3,427	-	-	30,943
Hynix Semiconductor Asia Pte., Ltd. (HSS)	42,113	17,927	-	(2,574)	-	-	57,466
Hynix Semiconductor Hong Kong Ltd. (HSH)	29,173	33,942	-	(19,620)	-	-	43,495
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	3,466	1,472	-	2,114	-	-	7,052
Hynix Semiconductor Japan Inc. (HSJ)	32,929	30,846	-	(22,924)	-	-	40,851
Hynix Semiconductor Taiwan Inc. (HST)	261	46,846	-	(41,652)	-	-	5,455
Hynix-Numonyx Semiconductor Ltd. (HNSL)	1,222,293	(23,756)	(11,360)	603,379	(57,875)	-	1,732,681
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	292,625	41,502	25,603	152,610	-	-	512,340
	<u>₩2,082,644</u>	<u>₩ (221,519)</u>	<u>₩ 16,777</u>	<u>₩ 713,408</u>	<u>₩ (32,339)</u>	<u>₩ (1,330)</u>	<u>₩2,557,641</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 6. Investment in securities (cont'd)

The summary of financial position of the investees as of March 31, 2009 and the results of their operations for the three-month periods then ended, is presented as follows (Korean won in millions):

	March 31, 2009 (unaudited)			
	Total assets	Total liabilities	Sales	Net income (loss)
Hynix Engineering Co., Ltd.	₩ 97,374	₩ 63,622	₩ 18,316	₩ 909
Hystech Co., Ltd.	15,804	10,529	16,474	363
Hyundai Display Technology Inc.	12,506	-	-	191
Siliconfile Technologies Inc.	38,457	8,920	15,982	861
Hynix Semiconductor America Inc. (HSA) (*1)	399,809	337,125	277,223	(6,929)
Hynix Semiconductor				
Manufacturing America Inc. (HSMA)	157,012	225,866	-	(8,265)
Hynix Semiconductor Europe Holding Ltd. (HSE)	75,847	71,131	77,578	1,454
Hynix Semiconductor Deutschland GmbH (HSD)	76,288	43,571	81,558	1,494
Hynix Semiconductor Asia Pte., Ltd. (HSS)	138,688	72,632	164,201	3,030
Hynix Semiconductor Hong Kong Ltd. (HSH)	105,366	50,096	158,922	7,928
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	18,551	10,173	21,490	446
Hynix Semiconductor Japan Inc. (HSJ)	215,652	166,136	155,860	8,473
Hynix Semiconductor Taiwan Inc. (HST)	239,112	217,641	264,689	15,555
Hynix-Numonyx Semiconductor Ltd. (HNSL)	5,307,679	2,580,251	540,046	85,542
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	635,055	22,718	9,585	28,610
	<u>₩7,533,200</u>	<u>₩3,880,411</u>	<u>₩1,801,924</u>	<u>₩ 139,662</u>

(\*1) Due to discrepancies in accounting policy with respect to investments in equity securities, the Company revised HSA's financial information. Consequently, HSA's net loss was changed from ₩377 million to ₩6,929 million for the year ended March 31, 2009.

The summary of financial position of the investees as of December 31, 2008 and the results of their operations for the year then ended, is presented as follows (Korean won in millions):

	December 31, 2008			
	Total assets	Total liabilities	Sales	Net income (loss)
Hynix Engineering Co., Ltd.	₩ 98,213	₩ 65,447	₩ 97,492	₩ 3,893
Hystech Co., Ltd.	15,795	10,894	60,701	787
Hyundai Display Technology Inc.	12,315	-	-	749
Siliconfile Technologies Inc.	41,478	10,945	57,792	(2,472)
Hynix Semiconductor America Inc. (HSA) (*1)	451,136	390,002	1,491,629	(421,852)
Hynix Semiconductor				
Manufacturing America Inc. (HSMA)	150,355	205,886	294,334	(372,907)
Hynix Semiconductor Europe Holding Ltd. (HSE)	84,195	81,179	495,585	291
Hynix Semiconductor Deutschland GmbH (HSD)	86,216	55,661	484,261	(920)
Hynix Semiconductor Asia Pte., Ltd. (HSS)	144,919	87,293	835,082	1,627
Hynix Semiconductor Hong Kong Ltd. (HSH)	96,652	53,230	813,516	3,507
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	19,068	11,809	86,507	1,965
Hynix Semiconductor Japan Inc. (HSJ)	384,325	343,364	827,131	(10,799)
Hynix Semiconductor Taiwan Inc. (HST)	241,591	235,723	1,384,541	6,086
Hynix-Numonyx Semiconductor Ltd. (HNSL)	5,133,664	2,717,335	1,926,317	9,511
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	580,155	77,618	209,706	26,712
	<u>₩ 7,540,077</u>	<u>₩ 4,346,386</u>	<u>₩ 9,064,594</u>	<u>₩ (753,822)</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

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#### 7. Related party transaction

- (a) The related parties of the Company and nature of their relationship with the Company as of March 31, 2009 are as follows:

<u>Company name</u>	<u>Parent company</u>
Hynix Engineering Co., Ltd.	The Company
Hystech Co., Ltd.	The Company
Hyundai Display Technology Inc.	The Company
Hynix Semiconductor America Inc. (HSA)	The Company
Hynix Semiconductor Manufacturing America Inc. (HSMA)	HSA
Hynix Semiconductor Europe Holding Ltd. (HSE)	The Company
Hynix Semiconductor U.K. Ltd. (HSU)	HSE
Hynix Semiconductor Deutschland GmbH (HSD)	The Company
Hynix Semiconductor Asia Pte., Ltd. (HSS)	The Company
Hynix Semiconductor Hong Kong Ltd. (HSH)	The Company
Hynix Semiconductor (Shanghai) Co., Ltd. (HSCS)	The Company
Hynix Semiconductor Japan Inc. (HSJ)	The Company
Hynix Semiconductor Taiwan Inc. (HST)	The Company
Hynix-Numonyx Semiconductor Ltd. (HNSL)	The Company
Hynix Semiconductor (Wuxi) Ltd. (HSMC)	The Company

- (b) Compensation for key management personnel for the three-month periods ended March 31, 2009 and 2008 is as follows (Korean won in millions):

	<u>Three-month periods ended March 31,</u>	
	<u>2009 (unaudited)</u>	<u>2008 (unaudited)</u>
Basic compensation	₩ 1,916	₩ 2,653
Post-retirement benefits	442	1,125
Long-term service incentive	-	3
Stock-based compensation	-	12
	<u>₩ 2,358</u>	<u>₩ 3,793</u>

Key management personnel includes one chief executive officer, eight directors, three audit committee members and 32 others who have the authority and responsibilities for planning, operation and control regarding the Company's business.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 7. Related party transaction (cont'd)

(c) Significant transactions with related parties for the three-month periods ended March 31, 2009 and 2008 are as follows (Korean won in millions):

Related party	Primary activities	Transactions	Three-month periods ended March 31,	
			2009 (unaudited)	2008 (unaudited)
HSA	Sales	Sales	₩ 227,936	₩ 336,202
HSMA	Manufacturing	Interest income	-	4,420
		Purchases	75	105,847
HSU	Sales	Sales	72,424	105,967
HSD	Sales	Sales	78,470	107,491
HSS	Sales	Sales	152,935	174,355
HSH	Sales	Sales	137,499	186,529
HSCS	Sales	Sales	12,497	11,970
		Disposal of property, plant and equipment	-	1,098
HSJ	Sales	Sales	147,995	169,862
		Disposal of property, plant and equipment	-	355
		Purchases	19,974	41,396
		Purchase of property, plant and equipment	-	110,995
HST	Sales	Sales	236,529	334,459
HNSL	Manufacturing	Sales	4,415	3,237
		Rent income	2,514	-
		Purchases	540,613	379,836
HSMC	Manufacturing	Rent income	20	-
		Purchases	94	56,614
Domestic affiliated companies	Manufacturing and others	Sales	251	-
		Rent income	4,142	3,769
		Interest income	588	502
		Other income	658	160
		Disposal of property, plant and equipment	-	2
		Service fee and other expenses	32,755	7,656
		Interest expenses	420	519
		Total	Sales and other income	₩ 1,078,873
	Purchase and other expenses	₩ 593,931	₩ 702,863	

**Hynix Semiconductor Inc.****Notes to non-consolidated interim financial statements****For the three-month periods ended March 31, 2009 and 2008****7. Related party transaction (cont'd)**

(d) Outstanding balances with related parties as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

<u>Related party</u>	<u>Primary activities</u>	<u>Accounts</u>	March 31, 2009 (unaudited)	December 31, 2008
HSA	Sales	Trade accounts and notes receivables	₩ 53,539	₩ 105,471
		Other accounts receivables	25,730	10,929
		Trade accounts and notes payables	781	-
		Other accounts and notes payables	21,317	36,888
HSMA	Manufacturing	Other accounts receivables	41,731	38,107
		Other current assets	10,288	10,288
		Trade accounts and notes payables	6,736	11,113
HSU	Sales	Trade accounts and notes receivables	23,756	23,829
		Other accounts and notes payables	1,401	8,033
HSD	Sales	Trade accounts and notes receivables	11,048	19,554
		Other accounts and notes payables	43	3,578
HSS	Sales	Trade accounts and notes receivables	8,319	21,995
		Other accounts and notes payables	1,544	648
		Long-term borrowings	13,771	-
HSH	Sales	Trade accounts and notes receivables	10,363	26,350
		Other accounts and notes payables	1,580	1,443
HSCS	Sales	Trade accounts and notes receivables	5,911	9,419
		Other accounts and notes payables	-	16
HSJ	Sales	Trade accounts and notes receivables	41,610	43,254
		Trade accounts and notes payables	17,444	24,447
		Other accounts and notes payables	61,174	178,673

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 7. Related party transaction (cont'd)

<u>Related party</u>	<u>Primary activities</u>	<u>Accounts</u>	March 31, 2009 (Unaudited)	December 31, 2008
HST	Sales	Trade accounts and notes receivables	₩ 51,716	₩ 5,608
		Other accounts receivables	352	812
		Other accounts and notes payables	11,934	22,614
		Other current liabilities	44,431	21,920
HNSL	Manufacturing	Trade accounts and notes receivables	11	1,834
		Other accounts receivables	14,619	19,029
		Trade accounts and notes payables	380,196	240,761
HSMC	Manufacturing	Other accounts receivables	36	81
		Trade accounts and notes payables	138,158	126,077
Domestic affiliated companies	Manufacturing and others	Trade accounts and notes receivables	11	1,297
		Other accounts receivables	3,210	2,451
		Other current assets	2,718	2,176
		Long-term loans	38,141	35,641
		Trade accounts and notes payables	63	97
		Other accounts and notes payables	34,263	25,346
		Advances from customers	39	-
		Short-term borrowings	8,582	8,582
		Accrued expenses	3,747	2,326
Total		Receivables	₩ 343,109	₩ 378,125
		Payables	₩ 747,204	₩ 712,562
		Allowance provided for receivables above	₩ 58	₩ 422

- (e) The Company is contingently liable for guarantees provided on obligations and indebtedness of the subsidiaries amounting to ₩56,876 million and ₩53,059 million of Korean won equivalent as of March 31, 2009 and December 31, 2008, respectively.
- (f) In addition to transactions with related parties above, the Company entered into cross-currency swap agreements with Korea Exchange Bank, Korea Development Bank and Woori Bank in relation to the unsecured public offering of bonds and corresponding interest (Note 18 (1)). The balances of loans provided to the employees as of March 31, 2009 and December 31, 2008 were ₩1,824 million and ₩1,963million, respectively.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 8. Property, plant and equipment

- (a) Details of property, plant and equipment as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)			
	Cost	Accumulated depreciation	Accumulated impairment losses	Net book value
Land	₩ 277,697	₩ -	₩ -	₩ 277,697
Buildings	1,368,624	(265,510)	(27,625)	1,075,489
Structures	452,007	(278,804)	(60,115)	113,088
Machinery and equipment	15,662,953	(9,862,885)	(285,791)	5,514,277
Vehicles	997	(812)	-	185
Other	467,301	(302,842)	(3,699)	160,760
Construction-in-progress	109,916	-	-	109,916
	<u>₩ 18,339,495</u>	<u>₩ (10,710,853)</u>	<u>₩ (377,230)</u>	<u>₩ 7,251,412</u>

  

	December 31, 2008			
	Cost	Accumulated depreciation	Accumulated impairment losses	Net book value
Land	₩ 278,000	₩ -	₩ -	₩ 278,000
Buildings	1,370,739	(256,638)	(27,625)	1,086,476
Structures	451,925	(274,724)	(60,116)	117,085
Machinery and equipment	15,817,311	(9,682,173)	(286,746)	5,848,392
Vehicles	997	(793)	-	204
Other	472,244	(293,193)	(3,717)	175,334
Construction-in-progress	172,922	-	-	172,922
	<u>₩ 18,564,138</u>	<u>₩ (10,507,521)</u>	<u>₩ (378,204)</u>	<u>₩ 7,678,413</u>

- (b) Changes in the net book value of property, plant and equipment for the three-month periods ended March 31, 2009 and year ended December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)					
	Jan. 1, 2009	Additions	Disposals	Transfer (*1)	Depreciation	Mar. 31, 2009
Land	₩ 278,000	₩ -	₩ (304)	₩ 1	₩ -	₩ 277,697
Buildings	1,086,476	10	(23)	(1,983)	(8,991)	1,075,489
Structures	117,085	1	-	82	(4,080)	113,088
Machinery and equipment	5,848,392	-	(864)	84,949	(418,200)	5,514,277
Vehicles	204	-	-	-	(19)	185
Other	175,334	-	(6)	697	(15,265)	160,760
Construction-in-progress	172,922	17,182	-	(80,188)	-	109,916
	<u>₩ 7,678,413</u>	<u>₩ 17,193</u>	<u>₩ (1,197)</u>	<u>₩ 3,558</u>	<u>₩ (446,555)</u>	<u>₩ 7,251,412</u>

(\*1) As of March 31, 2009, the Company transferred investment properties amounting to ₩3,558 million to the property, plant and equipment due to the holding purpose change from sale to manufacturing.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 8. Property, plant and equipment (cont'd)

	December 31, 2008							Dec. 31, 2008
	Jan. 1, 2008	Additions	Disposals	Transfer (*1)	Depreciation	Impairment		
Land	₩ 276,228	₩ 1,681	₩ -	₩ 91	₩ -	₩ -	₩ 278,000	
Buildings	860,328	10,404	(3,473)	253,044	(33,827)	-	1,086,476	
Structures	191,921	-	-	6,848	(25,443)	(56,241)	117,085	
Machinery and equipment	6,292,816	35,403	(114,538)	1,754,232	(1,810,362)	(309,159)	5,848,392	
Vehicles	289	57	(54)	-	(88)	-	204	
Other	170,614	20,270	(21,152)	66,243	(59,764)	(877)	175,334	
Construction- in-progress	605,258	1,917,812	(149,504)	(2,200,644)	-	-	172,922	
	<u>₩ 8,397,454</u>	<u>₩ 1,985,627</u>	<u>₩ (288,721)</u>	<u>₩ (120,186)</u>	<u>₩ (1,929,484)</u>	<u>₩ (366,277)</u>	<u>₩ 7,678,413</u>	

(\*1) During the year ended December 31, 2008, the Company transferred fixed assets held for disposal with a carrying value of ₩120,186 million to investment properties, and thereafter recorded an impairment loss on investment properties amounting to ₩5,632 million.

Capitalized interest costs for the three-month periods ended March 31, 2009 and 2008 were ₩858 million and ₩12,188 million, respectively.

#### 9. Lease

- (a) The Company entered into lease agreements for machinery and equipment with HP Financial Services and GE Capital during the year ended March 31, 2009, which were recorded as capital leases pursuant to the terms of the agreements.

The details of capital lease obligations of the Company as of March 31, 2009 are as follows (Korean won in millions):

	Principal	Interest	Total
April 1, 2009~March 31, 2010	₩ 69,000	₩ 12,055	₩ 81,055
April 1, 2010~March 31, 2011	71,847	7,685	79,532
April 1, 2011~March 31, 2012	71,768	2,660	74,428
April 1, 2012~March 31, 2013	457	5	462
	<u>₩ 213,072</u>	<u>₩ 22,405</u>	<u>₩ 235,477</u>

For the three-month periods ended March 31, 2009 and 2008, the depreciation expense related to machinery and equipment under capital lease amounted to ₩13,869 million and ₩5,456 million, respectively.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 9. Lease (cont'd)

- (b) The Company has commercial operating leases for certain machinery and equipment with GE Capital and Macquarie Capital. Future minimum rentals payable under such operating leases as of March 31, 2009 are as follows (Korean won in millions):

	Future minimum rentals payable	
April 1, 2009~March 31, 2010	₩	134,390
April 1, 2010~March 31, 2011		105,111
April 1, 2011~March 31, 2012		28,521
	₩	<u>268,022</u>

#### 10. Intangible assets

- (a) Changes in the net book value of intangible assets for the three-month periods ended March 31, 2009 and the year ended December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)			December 31, 2008		
	Goodwill	Industrial property rights	Total	Goodwill	Industrial property rights	Total
Beginning balance	₩ 426,086	₩ 69,683	₩ 495,769	₩ 465,722	₩ 63,034	₩ 528,756
Additions	-	6,004	6,004	-	21,163	21,163
Disposals	-	-	-	-	(57)	(57)
Amortization	(9,909)	(3,278)	(13,187)	(39,636)	(12,581)	(52,217)
Impairment loss	-	(826)	(826)	-	(1,876)	(1,876)
Ending balance	<u>₩ 416,177</u>	<u>₩ 71,583</u>	<u>₩ 487,760</u>	<u>₩ 426,086</u>	<u>₩ 69,683</u>	<u>₩ 495,769</u>

The Company's goodwill resulted from the merger with LG Semicon Co., Ltd. in 1999.

- (b) Research and development costs incurred and charged to operations for the three-month periods ended March 31, 2009 and 2008 amounted to ₩197,453 million and ₩164,588 million, respectively.

#### 11. Other assets

Other assets as of March 31, 2009 and December 31, 2008 consist of the following (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008
Leasehold deposits, less allowance for doubtful accounts of ₩132 in 2009 and ₩132 in 2008	₩ 2,890	₩ 2,891
Other long-term accounts and notes receivables, less allowance for doubtful accounts of ₩27,498 in 2009 and ₩27,498 in 2008	291	318
Other deposits	<u>13,189</u>	<u>12,412</u>
	<u>₩ 16,370</u>	<u>₩ 15,621</u>

**Hynix Semiconductor Inc.****Notes to non-consolidated interim financial statements****For the three-month periods ended March 31, 2009 and 2008**

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**12. Other current liabilities**

Other current liabilities as of March 31, 2009 and December 31, 2008 consist of the following (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008
Advances received	₩ 57,591	₩ 109,675
Unearned revenue	6,190	5,825
Withholdings	8,758	11,021
Accrual for loss on purchase commitment	38,654	41,320
Derivative payables	60,288	41,165
	<u>₩ 171,481</u>	<u>₩ 209,006</u>

**13. Short-term borrowings**

Short-term borrowings as of March 31, 2009 and December 31, 2008 consist of the following (Korean won in millions):

	Annual interest rate (%)	March 31, 2009 (unaudited)	December 31, 2008
Usance financing	1.55 ~ 8.75	₩ 849,000	₩ 881,822
Borrowing from Hyundai Display Technology Inc.	9.00	8,582	8,582
Foreign currency denominated loans	6.00	27,542	25,150
Bank overdrafts	-	3,373	19,500
Syndicated loans	6.18	500,000	-
		<u>₩ 1,388,497</u>	<u>₩ 935,054</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 14. Long-term debt and other long-term accounts and notes payables

- (a) The details of bonds and long-term borrowings, as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	Maturity	Annual interest rate (%)	March 31, 2009 (unaudited)	December 31, 2008
<b>Bonds:</b>				
Local currency (unsecured):				
Public offering (*1)	Dec. 26, 2009	5.35	₩ 60,000	₩ 60,000
Public offering (*1)	May 25, 2012	5.70	150,000	150,000
Public offering	Sep. 5, 2012	6.19	150,000	150,000
Public offering	Dec. 20, 2010	6.88	70,000	70,000
Public offering	Feb. 15, 2011	6.51	150,000	150,000
Public offering	May 15, 2011	6.97	200,000	200,000
Foreign currency (unsecured):				
Public offering	Jun. 27, 2017	7.875	688,550	628,750
Private placement	Dec. 14, 2009	3M Libor + 0.95	137,710	125,750
Convertible bonds (*2)	Dec. 14, 2012	4.50	539,353	539,353
	Sep. 5, 2013	3.00	500,000	500,000
			<u>2,645,613</u>	<u>2,573,853</u>
<b>Long-term borrowings:</b>				
Local currency denominated:				
Kookmin Bank		5.20	68	81
		6.19	90,000	90,000
National Agricultural Cooperative Federation		2.00	308	308
HP Financial Services		5.80 ~ 6.50	29,841	33,049
			<u>120,217</u>	<u>123,438</u>
Foreign currency denominated:				
The Export-Import Bank of Korea		3M Libor + 80bps	250,174	230,542
		3M Libor + 67bps	68,855	62,875
National Agricultural Cooperative Federation		3M Libor + 69bps	137,710	125,750
HSS		-	13,771	-
Korea Exchange Bank and others		3M Libor + 115bps	826,260	754,500
GE Capital		6.66 ~ 7.60	183,230	179,502
			<u>1,480,000</u>	<u>1,353,169</u>
			<u>4,245,830</u>	<u>4,050,460</u>
Discount on bonds			(20,261)	(20,785)
Redemption premium			80,536	80,536
Conversion right adjustments			(178,008)	(187,069)
Discount on present value			(6,265)	(6,266)
Current portion, net of discount on bonds, discount on present value, conversion right adjustments and addition of redemption premium			<u>(665,869)</u>	<u>(585,544)</u>
			<u>₩ 3,455,963</u>	<u>₩ 3,331,332</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 14. Long-term debt and other long-term accounts and notes payable (cont'd)

(\*1) The Company entered into cross-currency swap agreements with Korea Exchange Bank, Korea Development Bank and Woori Bank in relation to these bonds and corresponding interest (Note 18).

(\*2) The Company issued unsecured foreign currency convertible bonds amounting to US\$583 million on December 14, 2007 in the Singapore Stock Exchange. Additionally, the Company issued unsecured convertible bonds amounting to ₩500,000 million on September 5, 2008. The terms and conditions of the issuance are as follows:

	Issuance on December 14, 2007 (*1)	Issuance on September 5, 2008 (*2)
Total face value of bonds	US\$583,400,000	₩500,000,000,000
Gross proceeds from the issuance of bonds	US\$583,400,000	₩500,000,000,000
Coupon rate	4.50%	3.00%
Maturity	December 14, 2012	September 5, 2013
Redemption value at maturity	100% of face value (guaranteed return at maturity of 4.5%)	100% of face value (guaranteed return at maturity of 5.8%)
Terms of early redemption	On June 14, 2010 upon request from the bondholders or after three years from the date of issuance upon request from the Company	On September 5, 2011 upon request from the bondholders or after three years from the date of issuance upon request from the Company
Terms and conditions for conversion:		
Conversion ratio	100% of face value of the bonds	100% of face value of the bonds
Conversion price	₩37,360 per share (applicable exchange rate: ₩919.9/US\$)	₩24,184 per share
Conversion period	December 15, 2008 through November 29, 2012	October 5, 2008 through August 5, 2013
Total number of shares convertible	14,364,820 shares	20,674,826 shares
Assumed exercise date of conversion rights	At the beginning of a fiscal year for all rights exercised during the period	At the beginning of a fiscal year for all rights exercised during the period

(\*1) The Company recorded a premium for conversion rights amounting to ₩64,933 million (net of tax of ₩24,630 million) as other capital surplus.

(\*2) The Company recorded a premium for conversion rights amounting to ₩28,476 million (net of tax of ₩10,801 million) as other capital surplus.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 14. Long-term debt and other long-term accounts and notes payable (cont'd)

- (b) The details of other long-term accounts and notes payables as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

Creditor	Description	March 31, 2009 (unaudited)	December 31, 2008
US Department of Justice	Anti-trust fine (Note 17 (3))	₩ 96,397	₩ 88,025
Veolia Water Industrial Development Co., Ltd.	Obligations in relation to supply of industrial water (Note 17 (6))	293,137	309,692
Hynix Engineering Co., Ltd.	Compensation for contract termination & related losses (Note 17 (7))	11,240	13,488
		400,774	411,205
Discount on present value		(81,221)	(88,452)
Current portion, net of discount of ₩27,632 and ₩26,868 as of March 31, 2009 and December 31, 2008, respectively, included in other accounts and notes payables		(97,571)	(94,874)
		₩ 221,982	₩ 227,879

- (c) The repayment schedules of the above bonds, long-term borrowings and other long-term accounts and notes payable as of March 31, 2009 are as follows (Korean won in millions):

Year	Bonds		Long-term borrowings		Other long-term accounts and notes payable	Total
	Bonds	Convertible bonds	Local currency	Foreign currency		
March 2010	₩ 197,710	₩ -	₩ 45,503	₩ 422,873	₩ 122,830	₩ 788,916
March 2011	220,000	-	38,109	327,997	106,778	692,884
March 2012	200,000	-	29,372	293,048	54,900	577,320
March 2013	300,000	539,353	6,915	436,082	51,503	1,333,853
March 2014	-	500,000	58	-	12,953	513,011
April 2014 and thereafter	688,550	-	260	-	51,810	740,620
	₩ 1,606,260	₩ 1,039,353	₩ 120,217	₩ 1,480,000	₩ 400,774	₩ 4,646,604

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 15. Pledged assets

Detail of assets pledged by the Company as collateral for long-term debt and others as of March 31, 2009 is as follows (Korean won in millions):

<u>Asset</u>	<u>Pledged to</u>	<u>Pledged amount</u>
Property, plant and equipment (*1)	The Export-Import Bank of Korea and others	₩ 3,322,302
Land	I-cheon district tax office	1,448
		<u>₩ 3,323,750</u>

(\*1) According to the terms of the syndicate loans borrowed in May 2007 and revolving credit facility in July 2005, the Company is required to pledge additional tangible assets acquired in I-cheon facility on a semi-annual basis.

Other than the guarantees provided for related companies, as described in Note 7, the Company also provided guarantees for indebtedness of employees amounting to ₩84 million and guarantees for indebtedness of a special purpose company, ProMOS N.H. Limited, as of March 31, 2009, amounting to ₩60,000 million, for the period from August 21, 2008 to September 20, 2011

#### 16. Other long-term liabilities

Other long-term liabilities as of March 31, 2009 and December 31, 2008 consist of the following (Korean won in millions):

	<u>March 31, 2009</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2008</u>
Leasehold deposits received	₩ 3,491	₩ 3,742
Withholdings	2,841	2,320
Long-term accrued expenses	-	1,529
Long-term derivatives payable	113,515	100,239
	<u>₩ 119,847</u>	<u>₩ 107,830</u>

## **Hynix Semiconductor Inc.**

### **Notes to non-consolidated interim financial statements**

#### **For the three-month periods ended March 31, 2009 and 2008**

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#### **17. Commitments and contingencies**

- (1) Special agreement with Creditor Financial Institutions' Council - On July 12, 2005, the Creditor Financial Institutes ("Creditor Council") operational control over the Company since October 4, 2001, was terminated by entering into a special agreement between the Company and the Share Management Council (formerly, the Creditor Council). Under the special agreement, the Company is required to consult with the Share Management Council in advance on 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) Countervailing duty - In 2003, the European Commission ("EC") of the European Union ("EU") had determined that the EU's Dynamic Random Access Memory ("DRAM") product manufacturers had suffered injuries from the Company's debt restructuring by the Creditor Council and, consequently, imposed 34.8% in countervailing duty on imports of the DRAM product manufactured in Korea into the EU jurisdiction. The EC adjusted the rate to 32.9% in April 2006, in accordance with a recommendation made by the World Trade Organization ("WTO"). However, on April 9, 2008, as a result of interim review initiated in March 2006, the EU determined to repeal the countervailing duty imposed on the Company's DRAM product, effective as of December 31, 2007. Consequently, importation of the Company's DRAM products manufactured in Korea into the EU jurisdiction is no longer subject to countervailing duty effective from December 31, 2007.

In 2003, the Department of Commerce ("DOC") and the International Trade Commission ("ITC") of the United States had determined that the United States DRAM product manufacturers had suffered injuries from the Company's debt restructuring by the Creditor Council and, consequently, imposed 44.29% in countervailing duty on imports of the DRAM product manufactured in Korea into the United States. The DOC adjusted the rate of countervailing duty to 58.11%, 31.86%, 23.78% and 4.91% in its first, second, third and fourth annual reviews in April 2006, February 2007, March 2008, and February 2009, respectively. However, on July 1, 2008, the DOC and the ITC commenced the sunset review, and then, on October 3, 2008, they lifted the countervailing duty imposed on the Company's DRAM product retroactive to August 11, 2008. As a result, importation of the Company's DRAM products manufactured in Korea into the United States is no longer subject to countervailing duty. As of March 31, 2009, fifth annual review is in process for a refund of countervailing duty that was overpaid in 2007.

In relation to a countervailing duty investigation against the Company as requested by DRAM product manufacturers in Japan in June 2004, the Japanese government made a 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 to the WTO against the Japanese government alleging that the ruling made by the Japanese government was unfair and, on July 13, 2007, a WTO panel ruled that the countervailing duty imposed by the Japanese government was a breach of the Agreement on Subsidies and Countervailing Measures ("SCM Agreement"). On December 17, 2007, the WTO officially accepted the panel and the Appellate Body's report that the countervailing duty imposed by the Japanese government was found to be inconsistent with the SCM Agreement, and urged the Japanese government to follow the WTO's recommendation. As a result, on August 29, 2008, the Japanese government reduced

## **Hynix Semiconductor Inc.**

### **Notes to non-consolidated interim financial statements**

#### **For the three-month periods ended March 31, 2009 and 2008**

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#### **17. Commitments and contingencies (cont'd)**

the rate of countervailing duty from 27.2% to 9.1%; however, decided to maintain existing countervailing measures. The Korean government regarded it as unfaithful observance of WTO's recommendation and, as a result, on September 23, 2008, a WTO dispute panel was established by the request of the Korean government, however the Japanese government requested to pause the dispute panel and the Korean government accepted the proposal, thereupon the dispute panel procedure was paused on March 5, 2009. In addition, apart from the dispute panel, the Japanese government also initiated Changed Circumstance Review to decide whether to lift countervailing duty since October 15, 2008 by the request of the Company and the Japanese government informed essential facts to the Company of recognizing the circumstance change on February 3, 2009. As a result, the final countervailing duty was abolished on April 23, 2009, and Japanese government has not imposed countervailing duty on DRAM products manufactured in Korea by the Company since then. As of March 31, 2009, the refund procedure on the duty overcharged between 2006 and 2007 is in progress.

- (3) US Anti-Trust Act - In June 2002, the United States Department of Justice ("DOJ") notified the Company that the DOJ had commenced an investigation if certain Dynamic Random Access Memory ("DRAM") manufacturers had breached the US Anti-Trust Act. In order to settle the investigation commenced by the DOJ, on April 22, 2005, the Company entered a plea agreement with the DOJ to pay a fine in the amount of US\$185 million in installments over the next five years without interest. Meanwhile, DRAM product users in the United States filed lawsuits claiming damages from the breach of the US Anti-Trust Act by the Company and Hynix Semiconductor America Inc. ("HSA"), its sales subsidiary located in the United States. In relation to the lawsuits, the Company has reached settlements through separate negotiations with several major DRAM product Original Equipment Manufacturing ("OEM") users and, on April 29, 2006, the Company reached an agreement with the direct purchasers involved in a class-action lawsuit against the Company to pay US\$73 million. As of March 31, 2009, the Company continues to negotiate the settlements with a few direct purchasers and the indirect purchaser class, 34 state governments in the United States and the direct and indirect purchasers class of three provinces in Canada. In addition, as of March 31, 2009, an investigation commenced by the European Union Commission ("EU Commission") is in-progress to determine whether the Company had breached the Anti-Trust Act. As a result, the Company recorded a cumulative non-operating expense of US\$437 million through March 31, 2009, which consists of the fine and estimated future losses expected to be incurred from such pending settlements. Separately, the EU Commission and the DOJ investigated unfair transactions among certain Static Random Access Memory ("SRAM") manufacturers and sellers, including the Company, and each informed the Company in November and December 2008, respectively, that they closed their investigations. And as of March 31, 2009, in connection with the SRAM and flash memory products, several civil lawsuits have been also brought against the Company by the direct and indirect purchasers class in the United States and three provinces of Canada. As of March 31, 2009, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Company's non-consolidated financial statements.

**17. Commitments and contingencies (cont'd)**

(4) As of March 31, 2009, the Company had the following pending litigation and claims:

- ① Litigation filed by Rambus - The Company is a defendant in litigation brought by Rambus Inc. ("Rambus"), a developer of high-bandwidth chip connection technologies, with respect to the alleged infringements of Rambus' patents by the Company's manufacture, sales, offer for sales, use or otherwise disposal of Single Data Rate ("SDR") Synchronous Dynamic Random Access Memory ("SDRAM") and Double Data Rate ("DDR") SDRAM products. Litigation has been brought in Germany, France, the United Kingdom and the United States. In 2004, the European Patent Office revoked Rambus' certain key patents subject to such litigation against the Company in the EU jurisdiction. Accordingly, in 2005, the litigation in the United Kingdom was dismissed, the litigation in France ceased further proceeding, and the litigation in Germany was deferred without any progress. Meanwhile, in connection with the litigation in the United States, on March 10, 2009, the United States District Court for the Northern District of California issued the final judgment that ordered the Company to pay for damages from infringement of Rambus' patent and to pay royalties of 1% for SDR SDRAM products and 4.25% for DDR SDRAM products made in the United States from February 1, 2009 to April 18, 2010 while denying Rambus' request for injunctive relief. The Company appealed the court's final judgment to the United States Court of Appeals of the Federal Circuit on April 6, 2009. Separately, Rambus also 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 had infringed on Rambus' patents. Also, in 2004, Rambus filed a lawsuit against the Company, its subsidiary in the United States, and other major memory chip manufacturers alleging that the dependants kept Rambus' DRAM products from entering the market. As of March 31, 2009, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Company's non-consolidated financial statements.
- ② Lawsuit from Hyundai Heavy Industries Co., Ltd. - On July 28, 2000, Hyundai Heavy Industries Co., Ltd. ("HHI") sued the Company, Hyundai Securities Co., Ltd. ("HSC") and the former CEO of HSC in the Seoul Central District Court in connection with the Company's comfort letter relating to a put option provided by HHI to the Canadian Imperial Bank of Commerce ("CIBC").

On July 24, 1997, the Company sold 13 million shares of Hyundai Investment & Securities Co., Ltd. ("HIS") to CIBC. In relation to this transaction, HHI entered into a share option agreement with CIBC in which HHI was obligated to buy back the 13 million shares of HIS if CIBC exercised its put option. In return, the Company and HSC provided HHI with a comfort letter stating that HHI would not suffer any burden as a result of the transaction. The Company, in turn, received a similar letter from HSC in which HSC acknowledged that all of the above transactions were initiated by HSC and that HSC guaranteed that the Company would not suffer any legal or economic losses in connection with the above transactions nor would the Company suffer any burden as a result of any sanctions relating to the above transactions. Upon the CIBC's exercise of its put option, HHI repurchased the shares in July 2000 and then filed a lawsuit against the Company and HSC claiming that the Company and HSC should compensate HHI for the repurchase price of approximately US\$220 million. In January 2002, the court rendered a ruling that the Company, HSC and the former CEO of HSC jointly and separately pay 70% (₩171,822 million) of the claim amount and interest thereon to HHI. In 2004, the Company paid HHI a total of ₩123,677 million, which represented an estimated portion of its share pursuant to the pronouncement of provisional execution of the ruling.

**17. Commitments and contingencies (cont'd)**

However, the Company entered an appeal to the Seoul Appellate Court on February 15, 2002 and, on June 14, 2006, the court rendered a ruling that the Company and HSC should pay approximately 80% (₩192,942 million) of the claim amount. With respect to the revised ruling, the Company paid HHI an additional amount of ₩1,926 million for the estimated portion of its share in the increased compensation, including interest. The Company further contested this case by entering an appeal to the Supreme Court of Korea on June 30, 2006 and in a third ruling, the Supreme Court upheld the second ruling in part for HSC and the former CEO of HSC. The Supreme Court, however, reversed and remanded the second ruling for the Company on the ground that the Company has the expense redemption obligation to the HHI. The lawsuit described above is in progress in the Seoul High Court and the Company recorded the amount of ₩73,379 million as liabilities on the basis of the third ruling of the Supreme Court. As of March 31, 2009, the ultimate outcome of the lawsuits cannot be determined, but could have a material effect on the Company's non-consolidated financial statements.

In addition, HHI initiated a separate lawsuit in December 2004 claiming that the Company, HSC and the former CEO of HSC compensate for the 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 ₩26,496 million as a liability as of March 31, 2009. The ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Company's non-consolidated financial statements as of March 31, 2009.

- ③ Lawsuit against Korea Deposit Insurance Corporation - In June 2000, the Company agreed to provide Hyundai Investment & Securities Co., Ltd. ("HIS") with capital contributions in-kind consisting of the equity securities of Hyundai Logistics Co., Ltd., Hyundai Information Technology Co., Ltd., and Hyundai Autonet Co., Ltd., if HIS failed to recover from its equity deficit by December 31, 2000. These securities were deposited in escrow with three securities companies appointed by the Company and HIS. HIS failed to recover from its equity deficit by December 31, 2000 and, accordingly, in February 2001, the securities were invested in-kind to increase the capital of HIS. Portions of those securities were withheld from the investment in-kind and remained in escrow accounts with the securities companies as a provision for expected income taxes and other expenses to be incurred.

In February 2004, upon acquisition of HIS by the Prudential Group in the United States, the Company, HIS and Korea Deposit Insurance Corporation ("KDIC") agreed on the termination of HIS's rights and duties on the remaining securities in escrow accounts and the treatment of these securities to be resolved between the Company and KDIC.

The Company has made repeated requests to HIS and KDIC to return the uninvested portion of securities and proceeds from the disposal of Hyundai Autonet Co., Ltd. securities. The balance was not returned to the Company and, as a result, on December 30, 2005, the Company filed a lawsuit against KDIC in the Seoul Central District Court seeking confirmation of its ownership of the balance. The Seoul Central District Court; however, made a ruling on March 22, 2007 that the Company was only entitled to a claim of ₩456 million of the balance and the remaining request was turned down. On October 24, 2008, the Seoul High Court ruled that the Company was entitled to a claim of 50% of the balance and the securities. On November 21, 2008, the Company appealed to the

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

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#### 17. Commitments and contingencies (cont'd)

Supreme Court and the Supreme Court rendered the dismissal ruling of trial discontinuance on March 26, 2009. Thereon, the second ruling that the Company won 50% was irrevocably determined and a related allowance amounting to ₩20,671 million was reversed and reflected as a non-operating income for the period ended March 31, 2009.

- ④ Other litigation and patent-related claims - Apart from the above litigation, the Company is in the process of defending itself against other various lawsuits and claims regarding patent infringements. As a result, as of March 31, 2009, the Company recognized a liability for expected future losses that are probable and can be reliably estimated. However, the final outcome of these matters cannot be determined, but could have a material effect on the Company's non-consolidated financial statements
- (5) Technology and patent license agreements - The Company has entered into a number of patent license agreements with several companies. The related royalties are paid in a lump sum or running basis in accordance with the respective agreements. Lump-sum royalties are expensed over the contact period using the straight-line method. Lump-sum royalty payable in the future for the above patent license agreements totalled ₩573,241 million as of March 31, 2009.
- (6) Contract for supply of industrial water - In March 2001, the Company and Veolia Water Industrial Development Co., Ltd. ("VWID", formerly, Vivendi Water Industrial Development Co., Ltd.) entered into a contract for the purpose of purchasing industrial water from VWID for 12 years from March 2001 to March 2013. The contract was subsequently extended to March 2018 in December 2006 and amended in March 2007 due to the establishment of additional plants. According to the amended contract, the Company is obligated to pay an aggregate amount of ₩650,106 million (₩510,086 million as of March 31, 2009) as base service charges and an additional service charge calculated at a predetermined rate on the amount of water used from January 2007 through March 2018.
- (7) Repurchase agreement of Sithe Ichon power plants - The Company has previously entered into a long-term service agreement for the purchase of steam and electricity from Sithe Ichon Power Generating Corp. ("Sithe Ichon"). In March 2005, Hynix Engineering Co., Ltd. ("Hynix Engineering", formerly, Astec Co., Ltd.), the Company's subsidiary, entered into an agreement to purchase the power generating facility from Sithe Ichon for ₩119,000 million. In connection with the agreement, in July 2005, the Company entered into an agreement with Sithe Ichon and Hynix Engineering providing Sithe Ichon a guarantee for Hynix Engineering's performance under the purchase contract and also an agreement with Hynix Engineering to pay Hynix Engineering ₩56,319 million, which consisted of ₩39,106 million of compensation to Sithe Ichon for the early termination of the previously entered service agreement between the Company and Sithe Ichon, and ₩17,213 million of indemnity for expected losses from the planned disposal of a part of the facility. As of March 31, 2009 and December 31, 2008, the Company recorded the related liability at its present value of ₩10,771 million and ₩12,790 million, respectively. According to this agreement, the compensation for expected losses on disposal of assets above is to be settled based on actual losses sustained from the disposal, and accordingly, an additional loss could be incurred. The accompanying non-consolidated financial statements do not include any adjustments in relation to such uncertainty.

## **Hynix Semiconductor Inc.**

### **Notes to non-consolidated interim financial statements**

#### **For the three-month periods ended March 31, 2009 and 2008**

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#### **17. Commitments and contingencies (cont'd)**

- (8) Strategic alliance with ProMOS - In January 2005, the Company entered into an agreement with ProMOS Technologies Inc. ("ProMOS") under which the Company provided ProMOS with the license to produce DRAM semiconductors using the Company's technology, for the payment of running royalty to the Company. In accordance with the agreement, ProMOS has been providing the Company with a supply of 300mm wafer products manufactured under the license.
- (9) Business cooperation with Numonyx - On August 5, 2008, the Company and Numonyx B.V. entered into a five-year agreement to expand its joint development programs to broaden NAND product lines and to bring future product and technology innovations designed to address challenges facing NAND technology over the next five years.

#### **18. Derivative financial instruments**

- (1) Swap and forward contract - To hedge the operational foreign currency risk, the Company entered into cross-currency swap agreements i) with Korea Exchange Bank and Korea Development Bank on December 26, 2006 with maturity on December 26, 2009 in relation to unsecured bonds from a public offering amounting to ₩60,000 million and ii) with Korea Exchange Bank, Korea Development Bank and Woori Bank on May 25, 2007 with maturity on May 25, 2012 in relation to unsecured bonds from a public offering amounting to ₩150,000 million. According to the agreements, the Company pays floating rate interest and the notional principal amounts in United States dollars and receives fixed rate interest and the notional principal amounts in Korean won.

The Company also entered into a foreign exchange forward contract with Korea Exchange Bank with notional amount of US\$40 million on March 18, 2008. According to the contract, the Company settled US\$20 million each on October 31, 2008 and November 28, 2008, respectively.

The Company regarded these swap and forward contract as transactions not qualifying as hedges and the adjustment to fair value was reflected in current operations. For the three-month periods ended March 31, 2009 and 2008, the Company recognized a loss on valuation of derivatives of ₩16,397 million and ₩3,242 million, respectively, from the swap contract. And for the three-month periods ended March 31, 2009 and 2008, the Company recognized a gain on derivative transactions of ₩506 million and a loss on derivative transactions of ₩274 million, respectively, from the swap contract and a gain on derivative transactions of ₩856 million from forward contract for the three-month periods ended March 31, 2009.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 18. Derivative financial instruments (cont'd)

- (2) Option contracts - The Company entered into option contracts for specified money trust benefit securities with financial investors on August 21, 2008. Financial investors invested on specified money trust in Korea Exchange Bank for underwriting 576,000,000 shares of common stock privately issued by ProMOS at specific prices and also have put options which give them rights to sell trust benefit securities to the Company. As of March 31, 2009, total amounts for the specified money trust are ₩120,000 million and the terms of the option contracts are as follows (Korean won in millions):

Financial investor	Amounts of specified money trust	Number of ProMOS shares	Object trust benefit securities	Exercise period	Exercise price
Hana Bank	₩ 1,000	4,800,000	ProMOS-Hana 1 <sup>st</sup>	2008.11.17 ~ 2008.11.30	₩ 1,578
	4,000	19,200,000	ProMOS-Hana 2 <sup>nd</sup>	2009.7.1 ~ 2009.7.14	5,028
	2,000	9,600,000	ProMOS-Hana 3 <sup>rd</sup>	2009.11.17 ~ 2009.11.30	2,440
	3,000	14,400,000	ProMOS-Hana 4 <sup>th</sup>	2010.7.1 ~ 2010.7.14	3,698
	4,000	19,200,000	ProMOS-Hana 5 <sup>th</sup>	2010.11.17 ~ 2010.11.30	4,291
	6,000	28,800,000	ProMOS-Hana 6 <sup>th</sup>	2011.7.1 ~ 2011.7.14	6,323
	<u>20,000</u>	<u>96,000,000</u>			
ProMOS N.H. Ltd.	2,500	12,000,000	ProMOS-NH 1 <sup>st</sup>	2008.11.17 ~ 2008.11.30	3,909
	10,000	48,000,000	ProMOS-NH 2 <sup>nd</sup>	2009.7.1 ~ 2009.7.14	12,509
	5,000	24,000,000	ProMOS-NH 3 <sup>rd</sup>	2009.11.17 ~ 2009.11.30	6,074
	7,500	36,000,000	ProMOS-NH 4 <sup>th</sup>	2010.7.1 ~ 2010.7.14	9,202
	10,000	48,000,000	ProMOS-NH 5 <sup>th</sup>	2010.11.17 ~ 2010.11.30	10,710
	15,000	72,000,000	ProMOS-NH 6 <sup>th</sup>	2011.7.1 ~ 2011.7.14	15,789
	<u>50,000</u>	<u>240,000,000</u>			
T.Y. Pro Co., Ltd.	12,500	60,000,000	ProMOS-Tong Yang 1 <sup>st</sup>	2009.7.1 ~ 2009.7.14	16,650
	12,500	60,000,000	ProMOS-Tong Yang 2 <sup>nd</sup>	2010.7.1 ~ 2010.7.14	15,613
	12,500	60,000,000	ProMOS-Tong Yang 3 <sup>rd</sup>	2011.1.1 ~ 2011.1.14	13,546
	12,500	60,000,000	ProMOS-Tong Yang 4 <sup>th</sup>	2011.7.1 ~ 2011.7.14	13,014
	<u>50,000</u>	<u>240,000,000</u>			
	<u>₩ 120,000</u>	<u>576,000,000</u>			

During the year ended December 31, 2008, pursuant to the option contracts, the Company acquired trust benefit securities of ProMOS-Hana 1<sup>st</sup> and ProMOS-NH 1<sup>st</sup>, recognizing a loss on derivative transactions of ₩4,545 million. The Company recognized a loss on valuation of the derivatives of ₩16,002 million during the three-month periods ended March 31, 2009 in relation to the specified money trust benefit security options where the exercisable period will be closed on April 1, 2009 and thereafter.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 19. Capital stock

Changes in common stock of the Company for the three-month periods ended March 31, 2009 are as follows (Korean won in millions, unaudited):

	Number of shares outstanding	Common stock
As of January 1, 2009	459,602,790	₩ 2,315,654
Changes in 2009:		
Stock issuance on January 16, 2009	60,000,000	300,000
Exercise of stock options on February 18, 2009	18,260	91
As of March 31, 2009	<u>519,621,050</u>	<u>₩ 2,615,745</u>

The Company is authorized to issue 9,000,000,000 shares of capital stock with a par value of ₩5,000 per share, of which 5,513,598,894 equivalent shares have been issued. Due to the effect of a reverse stock split that the Company had in 2003, the number of shares issued as of March 31, 2009 is 523,149,095 shares. In accordance with the Articles of Incorporation, the Company is authorized to retire its common stocks using surplus available for dividends. The number of retired common stock through March 31, 2009 is 3,528,045 shares. Accordingly, the number of shares issued by the Company since its inception of 523,149,095 shares differs from 519,621,050 shares outstanding as of March 31, 2009.

In accordance with the Articles of Incorporation, the Company is authorized to issue convertible bonds and bonds with stock warrants to other than shareholders of the Company up to the face value of ₩6 trillion and ₩2 trillion, respectively.

In accordance with the Articles of Incorporation, the Company is authorized to grant stock options to its employees and directors up to 15% of its issued common stock pursuant to resolution of the shareholders, and up to 1% of its issued common stock pursuant to a resolution of the Board of Directors. The Company has granted stock options totalling 7,052,597 shares of common stock through March 31, 2009, of which 335,206 shares remained unexercised and outstanding as of March 31, 2009 (see Note 21).

#### 20. Capital surplus

Details of capital surplus of the Company as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	March 31, 2009 (unaudited)	December 31, 2008
Paid-in capital in excess of par value	₩ 273,097	₩ 251,758
Gain on capital reduction	479,244	479,244
Others	198,001	198,001
	<u>₩ 950,342</u>	<u>₩ 929,003</u>

Paid-in capital in excess of par value increased as a result of exercise of stock options and stock issuance during the three-month periods ended March 31, 2009.

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 21. Capital adjustments

Capital adjustments of the Company as of March 31, 2009 and December 31, 2008 are ₩5,791 million and ₩5,839 million, respectively, which are related to the stock options granted by the Company. Details of the stock options granted by the Company as of March 31, 2009 are as follows:

	First grant	Second grant	Third grant	Fourth grant	Fifth grant
Grant date	July 7, 2001 (Regranted on June 13, 2003)	June 13, 2003	October 24, 2005	June 29, 2007	December 29, 2007
Exercise price	₩5,000 per share	₩5,000 per share	₩22,800 per share	₩26,700 per share	₩20,750 per share
Exercise period	June 14, 2005 ~ June 13, 2010	June 14, 2005 ~ June 13, 2010	October 25, 2007 ~ October 24, 2012	December 29, 2007 ~ January 4, 2008	June 29, 2008 ~ July 5, 2008
Valuation method	Fair value method (Black- Scholes model)	Fair value method (Black- Scholes model)	Fair value method (Black- Scholes model)	Fair value method (Black- Scholes model)	Fair value method (Black- Scholes model)
Number of shares:					
Granted	3,733,425shares	626,250shares	334,100shares	1,179,411shares	1,179,411shares
Outstanding at					
Jan. 1, 2008	67,460	7,000	324,200	1,179,411	1,179,411
Exercised	(41,200)	(4,000)	-	-	(328,962)
Forfeited	-	-	-	(1,179,411)	(850,449)
Outstanding at					
Dec. 31, 2008	26,260	3,000	324,200	-	-
Exercised	(15,260)	(3,000)	-	-	-
Outstanding at					
Mar. 31, 2009	<u>11,000shares</u>	<u>-shares</u>	<u>324,200shares</u>	<u>-shares</u>	<u>-shares</u>

Details of the stock-based compensation expenses recognized the corresponding stock options accounted for as capital adjustments as of March 31, 2009 are as follows (Korean won in millions):

	First grant	Second grant	Third grant	Total
Accumulated stock-based compensation expenses through 2008	₩ 5,825	₩ 2,906	₩ 5,937	₩ 14,668
Stock-based compensation expenses for the three-month periods ended March 31, 2009	-	-	-	-
Stock-based compensation expenses after March 31, 2009	-	-	-	-
Total stock-based compensation expenses	5,825	2,906	5,937	14,668
Accumulated exercised amounts at March 31, 2009	(5,795)	(2,906)	-	(8,701)
Accumulated forfeited amounts at March 31, 2009	-	-	(176)	(176)
Outstanding at March 31, 2009	<u>₩ 30</u>	<u>₩ -</u>	<u>₩ 5,761</u>	<u>₩ 5,791</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 21. Capital adjustments (cont'd)

The fair value of stock options is estimated at the date of grant by using the Black-Scholes option pricing model. The assumptions used under the Black-Scholes option pricing model are as follows:

	<u>First grant</u>	<u>Second grant</u>	<u>Third grant</u>	<u>Fourth grant</u>	<u>Fifth grant</u>
Risk-free interest rate	5.67%	4.16%	5.15%	5.19%	5.67%
Expected life of option	4.51 years	5.51 years	4.50 years	0.51 years	0.51 years
Expected volatility	113.99%	108.60%	103.89%	32.43%	38.90%
Expected dividend yield ratio	-	-	-	-	-
Expected forfeiture rate	0.00%	0.00%	0.00%	7.43%	7.43%

#### 22. Accumulated other comprehensive income and retained earnings

Details of accumulated other comprehensive income and retained earnings of the Company as of March 31, 2009 and December 31, 2008 are as follows (Korean won in millions):

	<u>March 31, 2009</u>	<u>December 31,</u>
	<u>(unaudited)</u>	<u>2008</u>
Accumulated other comprehensive income:		
Changes of capital arising from equity method		
Investments, net (Note 6)	₩ 702,410	₩ 491,289
Unrealized loss on available-for-sale securities (Note 6)	(2,838)	(7,646)
	<u>₩ 699,572</u>	<u>₩ 483,643</u>
Retained earnings:		
Voluntary reserves	₩ 235,506	₩ 235,506
Unappropriated retained earnings (undisposed deficit) to be carried forward	(73,955)	1,120,557
	<u>₩ 161,551</u>	<u>₩ 1,356,063</u>

#### 23. Selling and administrative expenses

Details of selling and administrative expenses for the three-month periods ended March 31, 2009 and 2008 are as follows (Korean won in millions):

	<u>Three-month periods ended March 31,</u>	
	<u>2009 (unaudited)</u>	<u>2008 (unaudited)</u>
Salaries (Note 7)	₩ 17,259	₩ 19,422
Provision for severance and retirement benefits	2,704	3,332
Employee benefits	4,576	6,103
Taxes and dues	1,527	2,403
Rent	1,832	1,580
Depreciation (Notes 8 and 9)	11,760	11,819
Amortization (Note 10)	13,187	12,960
Commissions and fees	35,289	24,394
Export expenses	2,034	4,369
Litigation fees	2,231	1,903
Research and development costs (Note 10)	197,453	164,588
Stock-based compensation expenses (Note 21)	-	3,333
Others	7,790	14,266
	<u>₩ 297,642</u>	<u>₩ 270,472</u>

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 24. Income taxes

The major components of provision for income taxes for the three-month periods ended March 31, 2009 and 2008 are as follows (Korean won in millions):

	Three-month periods ended March 31,	
	2009	2008
	(unaudited)	(unaudited)
Current income taxes	₩ -	₩ -
Deferred income taxes:		
Tax effect of temporary differences	81,889	40,164
Tax effect of tax loss carryforwards	(81,889)	(40,164)
Current and deferred income taxes recognized directly to equity	(175)	(44)
Benefit from income taxes	₩ (175)	₩ (44)

A reconciliation of benefit from income taxes applicable to loss before income taxes at Korea statutory tax rate to benefit from income taxes at the effective income tax rate of the Company is as follows (Korean won in millions):

	Three-month periods ended March 31,	
	2009	2008
	(unaudited)	(unaudited)
Loss before income taxes	₩ (1,194,688)	₩ (674,829)
Income taxes expense at income tax rate (24.2% in 2009, 27.5% in 2008)	(289,090)	(185,547)
Adjustments:		
Non-temporary differences	4,982	98,348
Deferred tax assets, not recognized (*1)	1,259,280	1,028,421
Effect of unrecognized tax loss carryforwards and others	(975,347)	(941,266)
Benefit from income taxes	₩ (175)	₩ (44)

(\*1) The Company did not recognize deferred income tax liabilities for taxable temporary differences related to valuation of investment using the equity method, as it is not probable that those temporary differences will be realized by disposal or dividend of investments in the future. In addition, the Company did not recognize the deferred income tax assets from deductible temporary differences and tax loss carryforwards which were over expected taxable income.

**Hynix Semiconductor Inc.****Notes to non-consolidated interim financial statements****For the three-month periods ended March 31, 2009 and 2008****25. Cost of sales**

The components of cost of sales for the three-month periods ended March 31, 2009 and 2008 are computed as follows (Korean won in millions):

	Three-month periods ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Beginning balance of finished goods	₩ 273,075	₩ 201,519
Cost of goods manufactured	1,758,788	1,980,720
Allowance for expected contract loss (reversal)	(116,391)	50,300
Reversal of loss on valuation of inventories	(2,666)	(9,141)
Total	1,912,806	2,223,398
Transfer to other accounts	(144,352)	(137,646)
Adjustments for expected returns	327	867
Ending balance of finished goods, net of valuation allowance	(216,186)	(279,337)
Cost of sales	₩ 1,552,595	₩ 1,807,282

**26. Other expenses**

Details of others, net in other income (expenses) for the three-month periods ended March 31, 2009 and 2008 consist of the following (Korean won in millions):

	Three-month periods ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Gain (loss) on derivative transactions	₩ 506	₩ (274)
Impairment loss on intangible assets	(826)	(410)
Impairment loss on available-for-sale securities	(75)	-
Others	(705)	(154)
	₩ (1,100)	₩ (838)

**27. Segment information**

The following table presents the sales of the Company by geographical segments for the three-month periods ended March 31, 2009 and 2008 (Korean won in millions):

	Three-month periods ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Korea	₩ 88,343	₩ 93,173
North America	225,849	336,693
Asia	733,420	929,167
Europe	150,157	213,624
	₩ 1,197,769	₩ 1,572,657

## Hynix Semiconductor Inc.

### Notes to non-consolidated interim financial statements

#### For the three-month periods ended March 31, 2009 and 2008

#### 28. Per share amounts

The Company's per share amounts for the three-month periods ended March 31, 2009 and 2008 are calculated as follows (Korean won in millions, except for per share amounts):

	Three-month periods ended March 31,	
	2009 (unaudited)	2008 (unaudited)
<u>Basic loss per share</u>		
Net loss	₩ (1,194,512)	₩ (674,785)
Weighted-average number of shares of common stock outstanding (*1)	509,611,311	459,259,920
Basic loss per share (Korean won in units)	<u>₩ (2,344)</u>	<u>₩ (1,469)</u>

(\*1) *Weighted-average number of shares of common stock outstanding for the three-month periods ended March 31, 2009 is computed as follows:*

	<u>Number of shares</u>	<u>Weight</u>	<u>Weighted numbers</u>
<i>Common stock outstanding at Jan. 1, 2009</i>	459,602,790	90	41,364,251,100
<i>Paid-in capital (Jan. 16, 2009)</i>	60,000,000	75	4,500,000,000
<i>Exercise of stock options (Feb. 18, 2009)</i>	18,260	42	766,920
	<u>519,621,050</u>		<u>45,865,018,020</u>

*Weighted-average number of shares of common stock outstanding:*

$$45,865,018,020 / 90 \text{ days} = 509,611,311$$

$$(41,792,652,748 / 91 \text{ days} = 459,259,920 \text{ for the three-month periods ended March 31, 2008})$$

Weighted-average number of shares of common stock outstanding adjusted for the effect of dilutive shares is same as weighted-average number of shares of common stock outstanding for the three-month periods ended March 31, 2009.

The basic and diluted loss per share for the year ended December 31, 2008, are both ₩10,273.

#### 29. Comprehensive loss

The details of comprehensive loss for the three-month periods ended March 31, 2009 and 2008 are as follows (Korean won in millions):

	Three-month periods ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Net loss	₩ (1,194,512)	₩ (674,785)
Other comprehensive income (loss):		
Gain (loss) on valuation of available-for-sale securities (net of tax: ₩(15) and ₩11 for the three-month periods ended March 31, 2009 and 2008, respectively)	4,809	(111)
Change of capital arising from equity method investments (net of tax: ₩(160) and ₩(145) for the three-month periods ended March 31, 2009 and 2008, respectively)	211,120	207,548
Comprehensive loss	<u>₩ (978,583)</u>	<u>₩ (467,348)</u>

## **Hynix Semiconductor Inc.**

### **Notes to non-consolidated interim financial statements**

#### **For the three-month periods ended March 31, 2009 and 2008**

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#### **30. Preparation plan and development conditions for K-IFRS introduction**

As all listed companies should introduce K-IFRS from the fiscal year of 2011, the Company is in preparation for implementation of K-IFRS in 2011. The preparation plan and status are as follows; The Company organized a Task Force Team (“TFT”) for managing all matters concerning K-IFRS, and the TFT has reported the outcome to the management. The Company chose external consultative body in 2008 and analyzed the principal differences in the first stage. For the second stage, the Company has been in progress of adjusting consolidation system since 2009.