hynix Good memory

BETTER
BETTER
TOMORROW

GOOD MEMORY
2009
Sustainability Report

FSC | PRINTED WITH SOY INK

hynix Good memory

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Additional information regarding the report

If you need any additional information about this report or have questions, please contact us at the following:

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·   **Department:** SM Team, Internal Audit & Consulting Office
·   Date of publication: April 15, 2009

Report Background Information

Reporting guideline and scope

This report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Guidelines and B.E.S.T. Sustainability Reporting Guidelines. Hynix declares that this report complies with GRI's Application Level A+ rating. This was confirmed following review by the GRI Secretariat as is indicated by the certification at the top of this page.

• This report provides information on our performance from January 2008 to December 2008. For comparative analysis, data for the past three years through the end of 2008 were also included while information from the period before 2006 and after 2009 was included where necessary.

• All financial data are on a consolidated basis.

• Hynix plans to issue its sustainability report on an annual basis.

• The currency units used in this report are the Korean won, US dollar and Chinese yuan.

• Units used to express quantitative data include Ton, TOE, TC, m2, m3, mm, GB, Gb, and MWh. Other units used in the report are noted along with the corresponding figures.

• The scope of reporting includes the headquarters and business sites in Korea and overseas manufacturing subsidiaries.

Characteristics of the report

• This is the second sustainability report issued by Hynix. Along with our economic, social and environmental performance, it covers our performance in terms of ethics management, and innovation and creation management. It improves on our previous sustainability report with added emphasis on quantifying our targets and results. This edition also includes a separate section on our Chinese subsidiary, Hynix Numonyx Semiconductor Ltd (HNSL). Information with regard to material issues are marked with icons( ) on the relevant titles.

• This report has been issued in Korean, English and Chinese versions. All three versions can be downloaded from the Hynix website.

Report credibility

• The report contents and data collection methods have received third-party assurance from the Institute for Industrial Policy Studies (IPS). The related details are included in the appendix.

• Opinions of outside experts on the economic, social and environmental aspects are included in the appendix of this report.

GOOD MEMORY BETTER TOMORROW

Over the past few years, the memory semiconductor industry has suffered from a supply glut resulting from excess investment. Adding to these woes was the subsequent global financial turmoil that sharply depressed demand. Hynix has shown resilience and overcome tough times in the past. Despite the challenges in front of us, we are facing the future with confidence. We are working to write a new future and provide '**Good Memory**' to our stakeholders including shareholders, business partners, employees and local communities.

DRAM

Hynix has its maintained global top 2 position since the fourth quarter in 2006 by expanding its market share in the global DRAM market in spite of drastic change in the business environment.

Hynix pursues process technology innovation, driven by the goal of securing optimal production capacity and quality. We have completed migration to 300mm technology in our main fabrication lines and boast cutting edge facilities delivering high investment efficiency. Starting in May 2008, we commenced production of 54nm products applying advanced precision process technology. Then in February 2009, we developed the world's first 44nm product and now enjoy a one year plus lead over slow moving competitors.

+ Mobile Products Portion of DRAM Sales

2006	2007	2008.1Q	2008.2Q	2008.3Q	2008.4Q
	3%	6%	5%	8%	13%
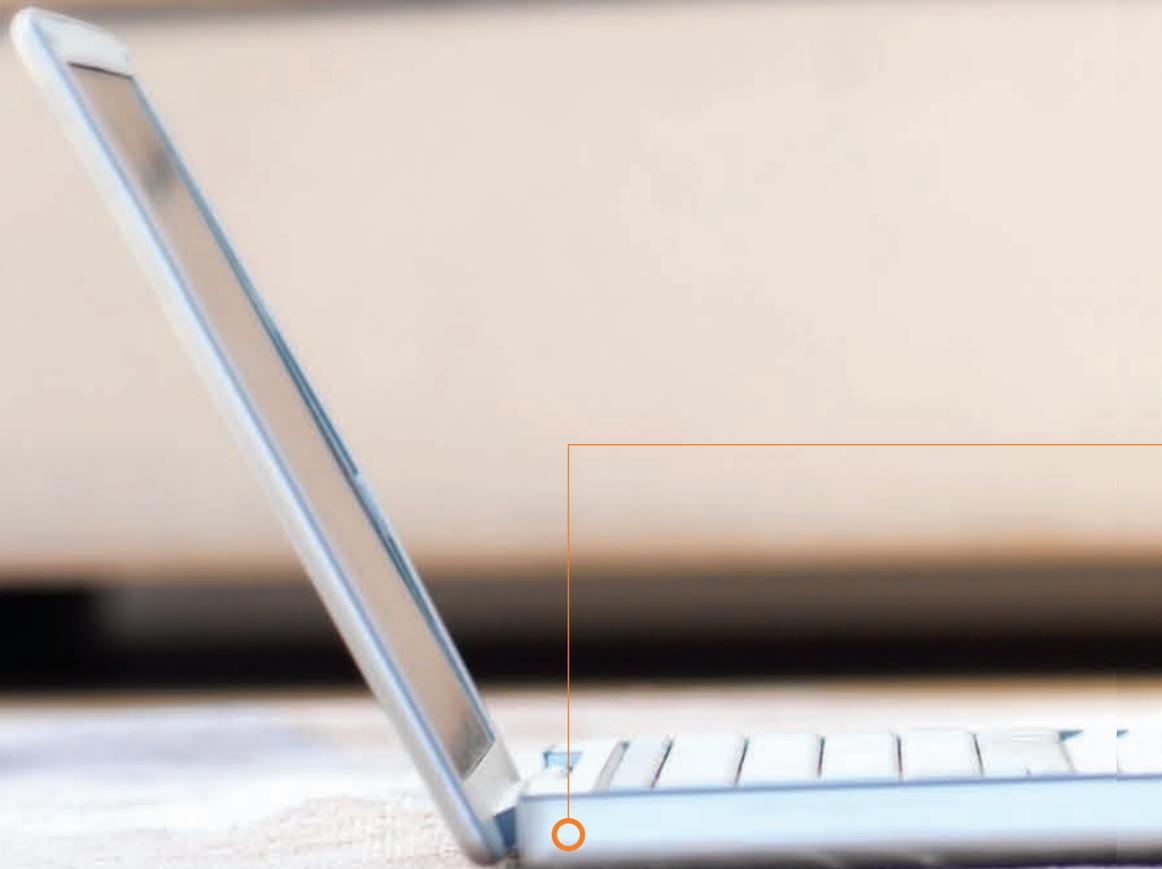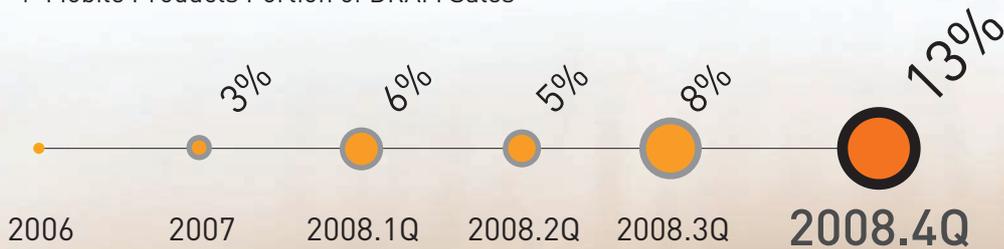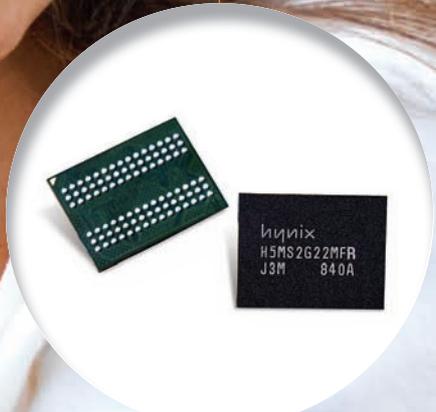
+ 2Gb Mobile DDR
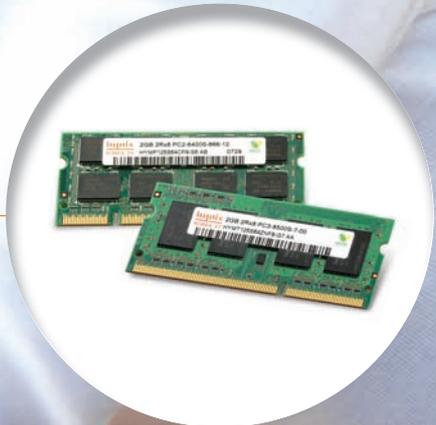
+ 2GB DDR3 SODIMM

(1) **FAB(Fabrication)_** Integrated wafer process line
(2) **SOP(Small Outline Package)_** A type of package that reduces product size
(3) **CIS(CMOS Image Sensor)_** CMOS(Complementary Metal Oxide) Image Sensor.
It is widely used for mobile phones, high resolution DSLR(Digital Single-Lens Reflex Camera), and rear cameras for cars.
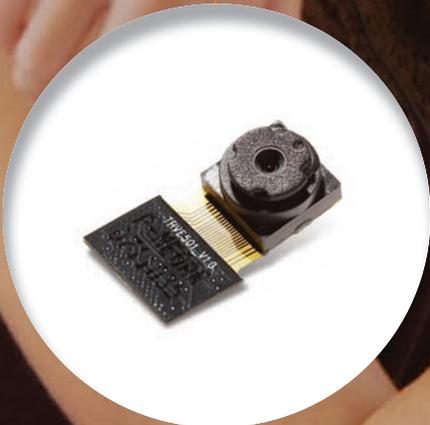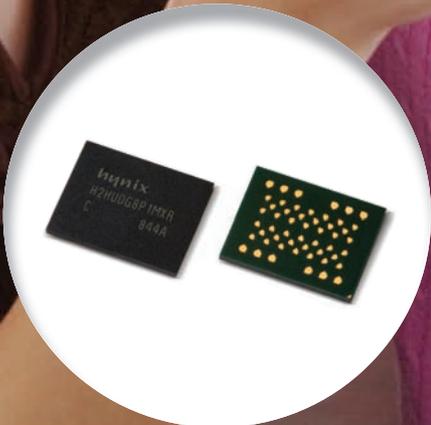
+ CIS   + 128Gb NAND Flash TLC

NAND Flash

We launched our NAND Flash business in 2004 and were ranked third in the world on a market share basis from the first quarter of 2005. However, we suffered a setback last year as output from our less profitable 200mm FAB[1]s tumbled while 300mm FABs have yet to make a large contribution. Nevertheless, we developed the world's first 3bit per cell 32Gb NAND Flash and the first SOP[2] type Octuple die package product. With commercialization of 41nm NAND Flash and development of a 32nm product in 2009, we intend to quickly catch up with the frontrunners and expand our market share.

+ Hynix Market Share in the NAND Flash Market

2008		12.3%
2007		17.1%
2006		17.7%

* Based on sales amount. Source: iSuppli

CIS

We launched our CMOS image sensor business by harnessing our knowhow in memory semiconductors. We generated our first sales in November 2008, just one year after the launch. Thanks to our edge in process technology and cost, we established a competitive product line-up in a short period of time and look forward to gaining a strong footing in the CIS[3] market.

(1) **ZRAM_** Zero Capacitor RAM can save and store data without using capacitors. A less complicated structure compared to existing DRAM allows for higher density and better miniaturization.

(2) **PCRAM_** Phase-change RAM is a next-generation memory product. When an electric current is applied, the state of the material switches between its amorphous and crystalline phases. Data is saved by using the difference in resistance between the fluid and solid states. It is a type of non-volatile memory that has the non-volatility of flash memory and the fast speed of RAM.

(3) **STT RAM(Spin-Torque Transfer RAM)_** A next generation, non-volatile memory solution. Data is written by using the difference in resistence from the reorientation of the magnetization when an electric current is applied to magnetic material. It overcomes the limitations of conventional magnetic RAM technologies. It also consumes less power than existing mainstream memories and provides endurance as well as fast read/write capability.

Investment for the Future

Under our conviction to become the world's best semiconductor company, Hynix channeled 10.8% of total sales into R&D in 2008, up from the previous level of 5-6%. Researchers comprise 20% of our workforce, another sign of our commitment to R&D. In addition to running research centers in the US, Japan and Taiwan, we maintain strategic ties with prominent companies, universities and research organizations around the world. Acquisition of licensing agreements for ZRAM[1], PCRAM[2] and STT-RAM[3] will also help us to maintain a technological edge.
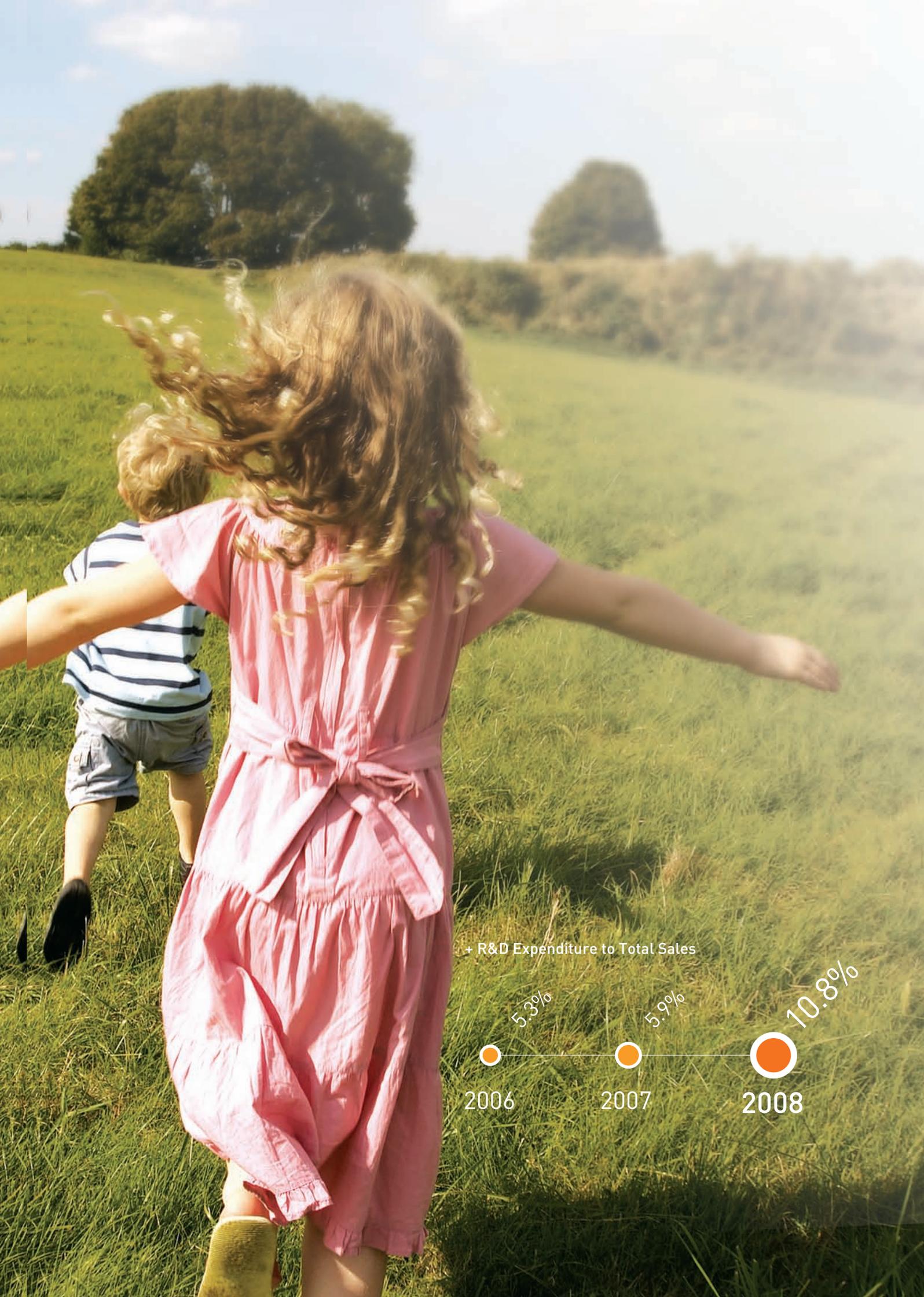
+ R&D Expenditure to Total Sales

5.3%

5.9%

10.8%

2006

2007

2008

CEO Message

To all Hynix stakeholders,

The faltering global economy depressed demand for memory semiconductors in 2008, sending the entire industry into a deep slump. While Hynix fared better than many of its competitors, our financial performance failed to meet our initial expectations.

Regardless of the adversities, we increased investment in R&D to sharpen our competitive edge in technology and cost, and expanded our client list with an improved product portfolio. Our achievements in 2008 include the development of world first products and technology. In addition to the timely launch of new memory semiconductors, which should support future profits and reinforce our market position, we made further progress in laying the groundwork to building an enterprise sustainable over the long term.

Even in the midst of a crisis situation, everyone at Hynix took part in efforts to overhaul inefficient and irrational work processes to establish a performance-oriented management system. We closed down four 200mm wafer FABs to concentrate on 300mm FABs for greater efficiency. The closures resulted in some idle workers. But in line with our priority on job security, idle workers were redeployed to task force activities for quality and process enhancement, and employees supported the job-sharing drive by taking unpaid leaves.

Our job-sharing program is recognized as a model of win-win partnership since it contributes to cooperative labor-management relations and enhancement of solidarity among employees.

Hynix has also gained recognition for actions to protect the environment. These include development of products with reduced environmental impact such as low power mobile DRAM, and the creation of a greenhouse gas inventory to curb carbon emissions. The Environmental Management Validation Committee launched its activities in 2007 which include joint inspection of business sites by Hynix, environmental groups and academia. Steps are taken to make necessary corrections based on inspection findings.

In 2008, we made further progress in laying the groundwork to building an enterprise sustainable over the long term.

The world's best semiconductor company

Hynix is contributing to sustainable development of humankind with leading technology.

We intend to convey details on our environmental targets and performance annually through our sustainability report. This is the second sustainability report issued by Hynix. Through this report, we hope to share our economic, social, ethical and environmental values with all stakeholders and to receive stakeholders' feedback on our activities and performance. To enhance readers' convenience, we have combined our annual report and environment report into the sustainability report and included information on sustainability management at all of our overseas business sites.

It is said that in France, grape seeds are not sown in fertile soil. While grape vines may flourish in fertile soil, these vines are highly vulnerable to pollutants in the environment and bear grapes of inferior quality. In contrast, it is believed that vines planted in infertile terrain will grow deeper roots to survive and produce sweeter, high quality grapes.

I am convinced the hardships we currently face will serve to shape Hynix into a stronger and greater company. On behalf of everyone at Hynix, I humbly ask for your continued encouragement and input so that we may emerge from today's challenges with greater insights and wisdom for tomorrow's growth.

Thank you.

March 2009
Chairman & CEO, Hynix Semiconductor
Jong Kap Kim

Global Hynix

As a global corporate citizen, we contribute to the sustainable development of the humankind.

Hynix Semiconductor
Manufacturing America Inc.

Hynix Semiconductor
America Inc.

Icheon Business Site (Headquarters)

Seoul Office

Cheongju Business Site

| Company Profile |

Hyundai Electronics Industries Co., Ltd. was established in 1983. The company changed its name to Hynix Semiconductor Inc. in 2001. Hynix has its headquarters in Icheon and branch office in Seoul. Production facilities of the company are located in Icheon and Cheongju, Korea. The company also operates 26 direct sales offices and 13 subsidiaries in overseas countries.

*Credit rating was downgraded since the industry outlook was deemed unpredictable due to the global economic recession and our financial ratios became unfavorable as a result of an increase in borrowings.
*Total assets, capital, and sales are based on consolidated figures. Number of employees includes people at domestic business sites and overseas subsidiaries.

+ Corporate Status

(As of December 31st, 2008)

Company name	Hynix Semiconductor Inc.	
Date of establishment	February 1983 (Formerly Hyundai Electronics Industries Co., Ltd.)	
Type of industry	Semiconductors and semiconductor-related equipment	
Chairman and CEO	Jong Kap Kim	
Total assets	KRW 16,576.2 billion	
Stockholders' equity	KRW 5,526.2 billion	
Sales	KRW 6,818 billion	
Employees	21,457 persons	
Credit rating(2008)	Domestic	· BBB+ (National Information and Credit Evaluation)
		· BBB+ (Korea Ratings Corporation)
		· BBB+ (Korea Investors Service)
	Overseas	· B1 (Moody's)
		· B+ (S&P)
		· B+ (Fitch)

+ Organizational Chart

Chairman & CEO

Strategy Management Office

Internal Audit & Consulting Office

General Charge of Development and Manufacturing

Corporate Strategy Division

DRAM Development Division

Manufacturing Division

Research and Development Division

Quality Reliability Assurance Division

Worldwide Marketing & Sales Division

Administration Division

Corporate Finance Division

External Relations & Cooperation Division

Flash Development Division

CIS Division

Procurement Division

HNSL

HSA

HSJ

HST

IT & Automation Office

Hynix Semiconductor
U.K. Ltd.
Europe Holdings Ltd.

Hynix Semiconductor
Deutschland GmbH

Hynix Semiconductor
(Wuxi) Ltd.

Hynix Semiconductor
Japan Inc.

Hynix Semiconductor
(Shanghai) Co., Ltd.

Hynix Semiconductor
Hong Kong Ltd.

Hynix Semiconductor
Taiwan Inc.

Hynix Semiconductor
Indian Subcontinent Private Ltd.

Hynix Semiconductor
Asia Pte. Ltd.

Hynix-Numonyx
Semiconductor Ltd.

Subsidiaries

(As of December 31st, 2008)

Category	Domestic
Listed(2)	Hynix Semiconductor Inc
	Siliconfile Technologies Inc.
Unlisted(6)	Hynix Engineering
	Hystec
	Hynix HRD Center
	Hynix Logistics Technology
	Hyundai Display Technology Inc.
	QRT Semiconductor Inc.

*Hyundai Unicorns was eliminated as a subsidiary company due to a decision
to liquidate on June 4, 2008.
**On August 29, 2008 Hynix became the largest shareholder of Siliconfile
Technologies and acquired management rights.

Overseas Subsidiaries

Category	Overseas
Unlisted(13)	Hynix Semiconductor America Inc.(HSA)
	Hynix Semiconductor Manufacturing America Inc.(HSMA)
	Hynix Semiconductor Deutschland GmbH(HSD)
	Hynix Semiconductor Europe Holdings Ltd.(HSE)
	Hynix Semiconductor U.K. Ltd.(HSU)
	Hynix Semiconductor Asia Pte.Ltd.(HSS)
	Hynix Semiconductor Hong Kong Ltd.(HSH)
	Hynix Semiconductor Japan Inc.(HSJ)
	Hynix Semiconductor Taiwan Inc.(HST)
	Hynix Semiconductor (Shanghai)Co., Ltd.(HSCS)
	Hynix-Numonyx Semiconductor Ltd.(HNSL)
	Hynix Semiconductor (Wuxi) Ltd.(HSMC)
	Hynix Semiconductor Indian Subcontinent Private Ltd.(HSIS)

Sustainability Management Highlights in 2008

1. Won Presidential Award for
excellence in labor-management culture
(December 2008)

Recognized labor-management cooperation based
on "Unified Labor-Management Spirit" which
results in enhancing competitiveness.

2. Completion of 300mm FAB for NAND
Flash in Cheongju (August 2008)

Constructed 300mm FAB for NAND Flash with 40-
nanometer class microscopic production
technology.

3. Declaration of New Core Values -
Challenge, Creation, Collaboration
(April 2008)

Adopted Challenge, Creation, and Collaboration as
our new core values to realize higher
achievements.

4. World's fastest 1Gb Graphics DRAM
(November 2008)

Developed the world's first 1Gb GDDR5 with a
speed of 7Gbps and a 2Gb mobile DRAM based on
54nm technology.

5. Establishment of HiSPM(Hynix Supplier
Performance Management) (March 2008)

Existing partner firms undergo an annual
evaluation of 29 items across six areas including
ethics, management, technology, quality, cost,
delivery, and cooperation. They are disclosed in our
purchasing portal system.
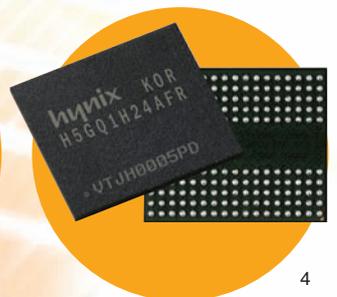
6. **Development of world's first TLC-based**[1] **32Gb NAND Flash (June 2008)**

TLC(Triple Level Cell) is an innovative technology that stores information of 3 bits of per cell that advances MLC(Multi Level Cell) which stores two bits of information.

7. **Collaboration with Numonyx on next-generation NAND Flash (August 2008)**

Signed an agreement to pursue joint collaboration on technology and products, which should help us strengthen our NAND Flash business.
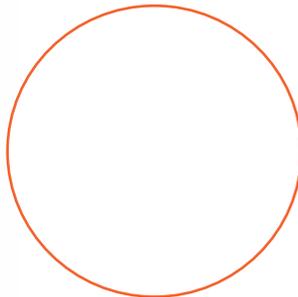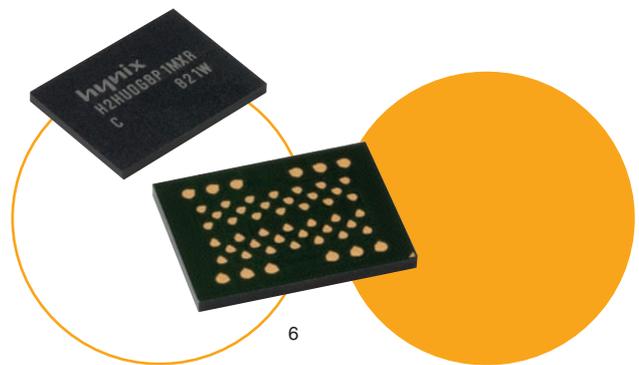
8. **Won 2008 Sustainability Management Award (October 2008)**

Received the grand prize in the private sector category sponsored by the Ministry of Knowledge Economy in recognition of our sustainability management performances and activities.

9. **Signature of Ethics Management Pledge (February 2008)**

The ethics management pledge is signed by everyone at Hynix including the top management.

10. **Won Bingha Award for carbon reduction (October 2008)**

Received the Bingha Award from CDP(Carbon Disclosure Project) Korea in recognition of our carbon reduction activities.

13

Sustainability Management at Hynix

Report on sustainability management

Fairness, Transparency, Efficiency, Innovation, Ethics, Environment, Communication...These words are all equivalent to sustainability management of Hynix.

| Sustainability Management System |

Establish a sustainability management execution structure

Sustainability Management Vision and Strategy

Here at Hynix, our vision is to be "the world's best semiconductor company." To achieve the vision, we have implemented management policies on knowledge management, customer management, ethics management, and environmental management, all of which are based on three core values: Challenge, Creation, and Collaboration. At the same time, we will fulfill our economic, social and environmental responsibilities to build a sustainable and respected enterprise that will flourish for the next hundred years and beyond.

Formation of the SM Committee and its Roles

Since May 2007 Hynix has been operating the SM Committee in order to implement sustainability management more effectively. In addition, the SM Sub-Committee at HNSL[1] was set up in September 2008, as part of the efforts to lay the groundwork for sustainability management at the Chinese subsidiary. The committee has contributed to the review of stakeholder issues and materiality testing. The HNSL SM Sub-Committee will carry out various activities to identify local stakeholder interests so their views can be reflected in management policy and direction.

Vision → hynix
The World's Best Semiconductor Company

Management Policies →
The Hynix Supremacy
| Knowledge Management | Customer Management | Ethics Management | Environmental Management |

Core Competencies → Leading Technology | Maximizing Efficiency

Core Values → Challenge | Creation | Collaboration
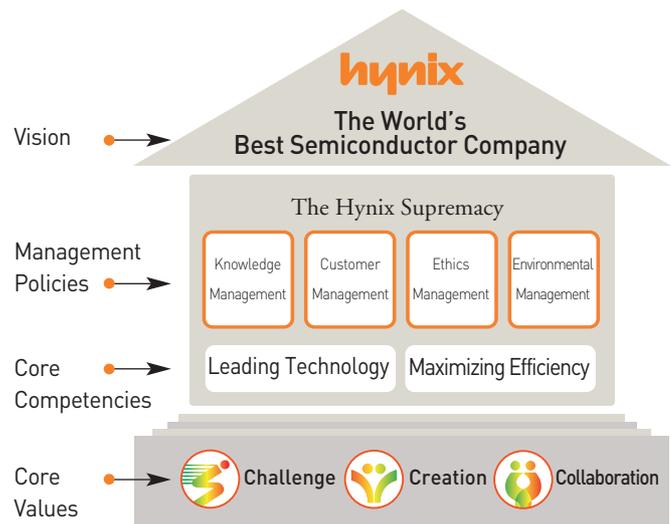
+ Sustainability Vision and Strategy

Creating Top for Sustainable Future

▲

Economic Development (Growth / Development)
Innovation, creation management
- Mid to long-term business plan
- Strategies to strengthen R&D

Eco-Friendly (Co-existence)
Environmental management
- Secure environmental transparency
- Build an Eco-Friendly image
- Operate an environment monitoring team

Sustainability Management

Social Sharing (Sharing / Happiness)
Social contributions
- Strategic social contributions
- Communication with local communities

Ethical Culture (Care / Respect)
Ethics management
- Ethical corporate culture
- Secure transparency in transactions
- Compliance program

+ Sustainability Management Roadmap

Reputation & Brand Image Value-Add based on world class sustainability management system

▲

STEP 3(2011-)
Dissemination & Expansion
Sustainability Leader

STEP 2(-2010)
Growth & Development
Establishing sustainability management system

STEP 1(-2008)
Establishment
Publishing sustainability report

Sustainability Management Performance

Raise awareness towards sustainability management

Sustainability Management Awards On October 30, 2008, Hynix received the grand prize in the private sector category at the 2008 Sustainability Management Awards sponsored by the Ministry of Knowledge Economy. We were recognized for our activities and performance to promote sustainability even though we published our first report just last year. The Sustainability Management Awards are presented to organizations that have issued sustainability reports. We also received the platinum prize in the semiconductor category at the 2007 Vision Awards Annual Report Competition sponsored by the League of American Communications Professionals in July 2008. It was the first time that a Korean company won the honor for a sustainability report.

▼ HYSONIC (Hynix Sustainability's Online and Integrated Communication system)

HYSONIC was launched in December 2008, to oversee company activities for sustainable growth and development using sustainability reporting guidelines based on global standards. Along with our economic activities and performance, the system contains data on our sustainability management strategy and performance relating to social contribution, environment and ethics. Going forward, Hynix plans to use the system to make periodic disclosures on company activities and achievements to external stakeholders.

HYSONIC's functions include overseeing action plans and progress on sustainability, preparation of the sustainability report and materiality testing, and responding to requests and evaluations from customers and external organizations. By quantifying performance data and assessing the internal approval process, HYSONIC contributed to enhancing accuracy and credibility of our 2009 sustainability report.

• HYSONIC Homepage

+ Operation of SM Committee

[Headquarters SM Committee]

CEO

SM Committee
Top decision-making organization
(Committee chairperson: CEO, Members: Head of division)

SM Sub-Committee
Members: Vice presidents in charge

| Economic division | Social division | Ethics division | Environmental division |

Working-level Task Force Team

SM Team of Internal Audit & Consulting Office (Secretary)

Internal Audit & Consulting part (Secretary)

[HNSL]

Head of HNSL

Committee chairperson: Head of HNSL
Members: Vice presidents in charge

| Economic division | Social division | Environmental division |

Staff in Charge

| Sustainability Management Issues |

### Stakeholders and Material Issues

Stakeholders   As a member of the global community committed to promoting sustainable development, Hynix engages in communication with stakeholders to identify and address major issues. We pursue win-win cooperation with about 1,270 partner companies across the world to produce and supply semiconductors, which are vital components for the cutting edge industries that will lead the future. The major issues for the various stakeholder groups affected by our business activities are outlined in the following diagram:

+ Material Issues by Stakeholder

Stakeholder	Issues
❶ Hynix	Technology and product innovation
	Internal process innovation
	Ethics management system
	Sustainability management implementation system
	Sustainability reporting
	Promoting awareness of sustainability management
❷ Customers	Ethical, socially responsible, and environmentally friendly products and services
❸ Employees	Child care and women's welfare
	Education & training, personal development
❹ Partner Companies	Spreading sustainability management among partner companies
	Support for win-win cooperation
	Fair transactions
❺ Local Communities	Social contribution activities
❻ Shareholders and Investors	Accounting transparency
	Corporate governance
❼ Environment	Environmental impact assessment
	Reduction of hazardous chemical substances
	Addressing climate change
	Managing greenhouse gases

* Nineteen material issues that both internal and external stakeholders are commonly interested in.

❻ Shareholders and Investors

❺ Local Communities

❼ Environment

❶ Hynix

❹ Partner Companies

❷ Customers

❸ Employees
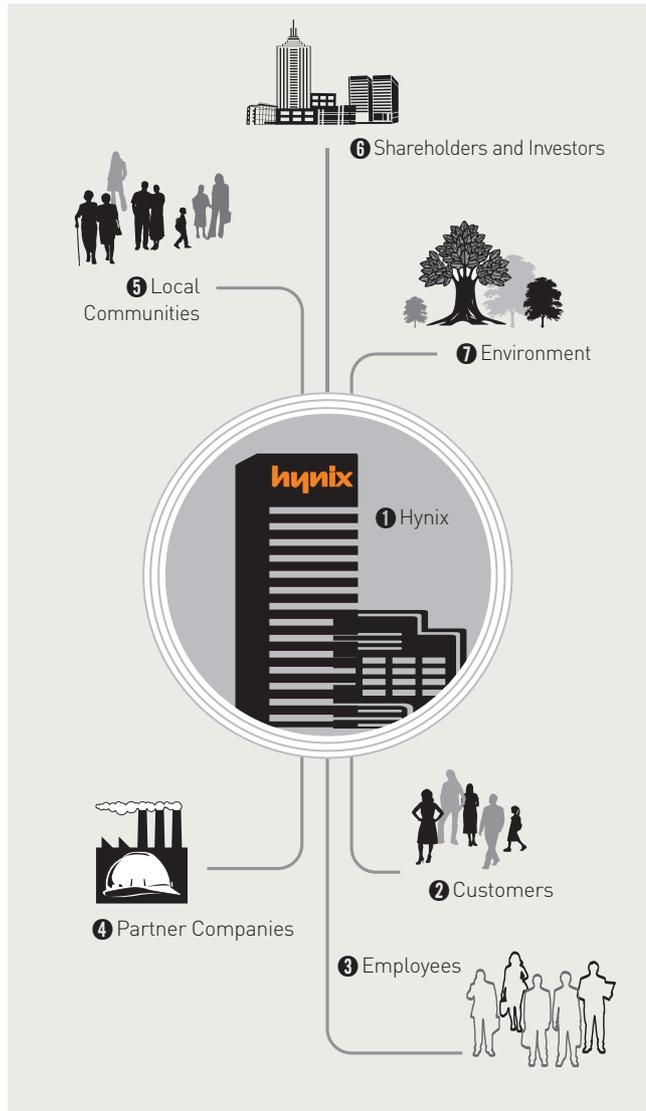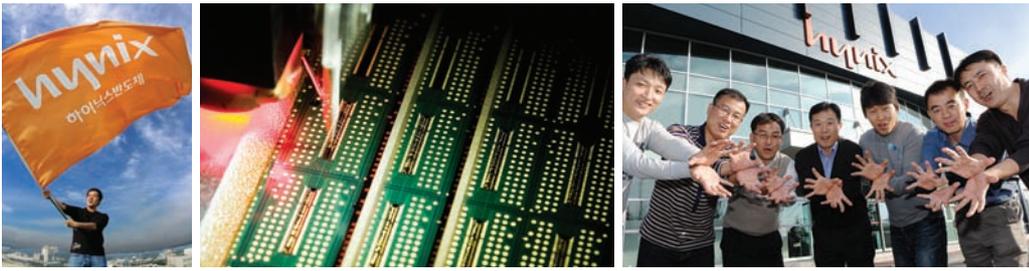
Communication with Stakeholders

Stakeholders		Communication channel and activity	Page
Customers	QBR (Quarterly Business Review)	Evaluate customer satisfaction in relation to TQRDC (Technology, Quality, Responsiveness, Delivery, Cost)	40
	QTR (Quarterly Technology Review)	Quarterly meeting held with key customers in relation to future products and technologies	40
	CCK (Customer Care Kit)	Customer Q&A on the website	41
	Newsletter	**Deliver newsletter every month, evaluate customer satisfaction**	40
	Technology Road Show	**Roadmap alignment by application product and customer**	-
Shareholders/ Investors	Investor relations event	Presentation for quarterly earnings every quarter and conference call	-
	Regular IR conference	Quarterly NDR(Non-Deal Roadshow) in Korea and overseas countries and conferences	-
	Disclosure and report	Various types of disclosures	-
	Regular, occasional, and fair disclosures Cyber IR	Operate IR website	-
	Normal IR activities	Meet investors and respond to their phone calls	-
Employees	CEO meeting	Collect information on difficulties faced by employees and reflect it in management	44
	Employee opinion survey	Held once a year, dealing with issues in HR and ethics management	43
	Labor-management council	Form a three-layered council – field-oriented, business site-level, and domestic (Icheon, Cheongju) layer – and operate an industrial safety and health committee	44
	Management presentation	Share management information once a quarter	44
	CEO's visit to worksites	Visit production or research worksite to communicate with employees at least two times a month	44
	Complaints handling system	Services provided by visiting the employees; "Support 1004" (Call center for handling complaints)	44
	ESH exchange meeting	A regular exchange meeting by business site	-
Partner Companies	HEINET(Hynix e-Procurement Infra Network)	A regular, web-based channel for partner company communications	48
	Joint workshop	**Spread awareness of ethics management to partner companies**	21
	Meeting with CEOs of partner companies	Collect opinions on what partner companies expect and what difficulties they are facing, and incorporate their opinions. Provide information on the status of partner companies and introduce new products.	48
	General assembly of the Hynix Council	Share information on the management status with council member companies once a year	-
	ESH council	Form and operate a council consisting of partner companies and others that operate in the complex	-
	Win-win council	**Hold session where subcontractors participate once a month**	-
Local Communities/ Government Agencies	Cooperation	Sisterhood ties and volunteer activities	49
	Invitation and field inspection	Engage in exchanges in relation to the direction of regional development and look for measures of co-existence and harmony	-
	Environmental monitoring system	Environmental Management Validation Committee activities (10 internal and external experts)	54

*Communication channels newly opened in 2008 are boldly marked.

Customers Customers are categorized into domestic and overseas customers. By product, customers are categorized into DRAM and NAND Flash customers as well as potential customers of the CMOS Image Sensor (CIS).
Partner Companies Partner companies refer to approximately 1,270 companies with which Hynix has concluded contracts and is doing business within the field of construction, outsourcing, parts, raw and subsidiary materials, facilities, and general affairs.
Investors/Shareholders Investors refer to all individuals and institutions that have made capital investments into the company. Shareholders refer to the parties actually owning the company. They refer to members of the general stockholders' meeting, which is the top decision-making organization of the company.
Local Communities/Government Agencies The geographical scope of local communities is defined as the regions where our business sites are located. They include citizens, NGOs, universities, and government and public agencies in such regions.
Employees Employees are internal stakeholders of Hynix. Internal stakeholders comprise the executives, technical office workers, and full-time workers.
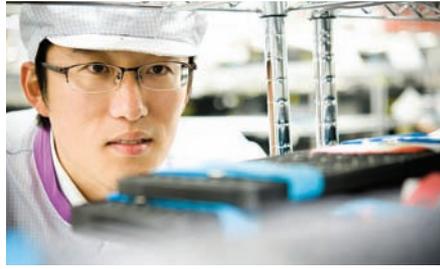
Reporting Material Issues Stakeholder engagement results

In order to identify the core sustainability management issues of Hynix during the reporting period, we selected 36 issues that were linked to external concern and interest(issues that stakeholders have keen interest) and internal concern and interest(issues that the company and its employees have great concern). In selecting the material issues, we used a six-phased methodology: Internal policies, Direct and indirect economic effects, Domestic and international standards, laws and regulations, Stakeholder engagement, Benchmarking peer companies in the industry, and Media research. The identified 36 issues were categorized into three scopes: economy, society, and environment. Moreover, the issues were highlighted with the icon ( )

+ Materiality Test Process

Test 1 Internal Policies	Test 2 Direct and Indirect Economic Effects	Test 3 Domestic and International Standards, Laws and Regulations	Test 4 Stakeholder Engagement	Test 5 Benchmarking Peer Companies in the Industry	Test 6 Media Research
· Policies and standards · Evaluation data	· KPIs (Key Performance Indicators)	· National laws and standards · Global standards	· Survey (internal and external stakeholders)	· Leading companies in sustainability management Sustainability Report benchmarking	· Research and classification of all kinds of news articles between December 2007 and November 2008

+ Materiality Test Results

External concern and interest (vertical axis: Low → Medium → High)
Internal concern and interest (horizontal axis: Low → Medium → High)

General Sustainability Management
· Promote stakeholder participation
· Comply with laws and regulations

Customers
· Take responsibility for products and quality
· Protect customer information

Partner Companies
· Do not make any unreasonable requests to partner companies

Local Community
· Engage in social contribution activities

Environment
· Save resources and enhance energy efficiency

General Sustainability Management
· Establish a sustainability management implementation structure
· Report on sustainability management
· Raise awareness towards sustainability management
· Enhance corporate governance
· Boost transparency in accounting
· Antitrust compliance

Ethics
· Strengthen the ethics management system

Innovation and Creation Management
· Technological and product innovation
· Innovate internal processes

Customers
· Products and services that consider ethical, social and environmental aspects

Employees
· Support women's health and childcare
· Support employee training and self-development

Partner Companies
· Spread sustainability management among partner companies
· Give support for win-win cooperation

Environment
· Evaluate environmental impacts
· Reduce hazardous chemical substances
· Policies to counter climate change
· Manage greenhouse gases

Ethics
· Strengthen training on ethics management
· Anti-corruption

Customers
· Communication with customers

Employees
· Promote employee communication
· Vitalize the organizational culture
· Ensure impartiality in the HR system
· Root out discrimination
· Work life balance
· Improve labor-management relations

Partner Companies
· Ensure fairness in choosing partner companies

Environment
· Waste and wastewater management

+DMA(Disclosure of Management Approach)

Category	Vision & Strategic Objectives	Policy	Performance (2008)	Future Tasks (2009-)	Supervising Body
Economic Performance					
Economic	World's best semiconductor company	· Enhance competitiveness in technology, cost and profitability; strategic alliances	· Developed world-first products (DRAM, TLC etc.) · Expanded R&D expenditures (5.9% in 2007 ▶ 10.8% in 2008)	· Secure cash liquidity · Reinforce quality	· Strategy Management Office · Corporate Strategy Division
Innovation & Creation	Value creation through innovation alignment	· Concerted effort to boost efficiency and productivity · Secure proprietary technologies through patent management	· Established system-based management · Adopted diverse innovation methodologies	· Foster innovation leaders · Strengthen implementation capability	· Strategy creation Management Office · Production Innovation Division
Social Performance					
Ethics Management	Respected and admired company	· Ethical corporate culture	· Revised Code of Conduct · e-Message · Published implementation guidebook · Established Hynix Ethics Management System(HEMS) · Joint workshop	· Continue with win-win ethics management · Enhance ethical leadership · System-based two-way participation	· Internal Audit & Consulting Office · Procurement Division
Customers	Customer satisfaction via quality management	· Tailored services per customer segment	· Held quality training for engineers of client firms · Started issuing newsletters · Revamped website contents · QBR and QTR with key clients · For major clients, provided information on new products and shared information on technologies	· Listen to and apply onsite customer opinions · Issue newsletters in local language (Chinese, Japanese) · Expand target customers for QTR and QBR	· Quality Assurance Division · Marketing Strategy Division
Employees	Great workplace based on employee satisfaction	· Fair evaluation and compensation · HR development promoting excellence · Win-win labor-management relations · Safe and pleasant workplace	· Conducted 1,105 sessions for 266 courses for employees · Presidential Award for excellence in labor-management culture	· Complete performance management system · Strengthen the members in the field & plan for vision · Research on model cases responding to multiple labor unions	· HR Division · Labor-Management Division
Partner Companies	Pursue win-win cooperation	· Evaluate and strengthen partner companies based on purchasing ethics	· Win-win assurance program · Performance evaluation cooperation · Technology Commercialization Program	· Enhance systematic cooperative ties	· Procurement Division
Local Communities	Social contribution leader attuned to local needs	· Social contribution activities to support local communities, culture and education	· Beautiful Day · Good Memory with rural villages · Social contribution activities for memory disabled people	· Strengthen ties with related external organizations · Set up social contribution management system	· General Affairs Division
Environmental Performance					
Environmental	World's best workplace in ESH[1]	· Internal capabilities based on environmental management · Developed eco-efficiency index	· Responded to climate change pact · Increased reuse of waste products LCA[2] system	· Carbon reduction activities · Create computerized LCA system	· Environment & Safety Division · Quality Assurance Division · Facilities Division

| Ethics Management |

In line with its commitment to social responsibility, Hynix abides by pertinent laws and regulations and upholds a high standard of ethics in conducting business activities while doing its part to promote fair business practices.

Ethical Performance ⬤ Strengthen the ethics management system

Following the third round of revisions to our Code of Conduct in 2007, Hynix adopted a policy to internalize ethics management and established the Hynix Ethics Management System in 2008. That paved the way for a more organized and action-oriented approach to ethics management.

+ Key Performances in Ethics Management

2006	· Systematized Signature of Ethics Management Pledge
	· Diversified training per rank
	· Issued the 1st e-Message: Ethics White Paper
	· Set up global ethics network (all overseas subsidiaries)
	· Held Ethics Academy Ⅰ and Ⅱ for partner companies
2007	· Signature of Ethics Management Pledge
	· Conducted 3rd revision of Code of Conduct
	· Introduced regular ethics management performance evaluation
	· Held second round of cyber ethics training
	· Held workshop for new executives and ethics class for field employees
	· Held Ethics Academy Ⅲ for partner companies
2008	· Declared the 3rd revision of Code of Conduct
	· Set up Hynix Ethics Management System
	· Issued the 2nd e-Message: Ethics White Paper, Season 2
	· Issued ethics management guidebook
	· Held joint workshop with partner companies on win-win ethics management

+ Ethics Management Organization

```
            CEO
             |
Internal Audit & Consulting Office
             |
 Ethics Management Team ——— Ethics Leader
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Issuance of "Our Ethics White Paper" ⬤ Anti-corruption

Our Ethics White Paper was issued in April 2008 to convey the key points of the company's renewed ethics management and the revised Code of Conduct in a fun and easily understandable manner. Prepared in a Q&A format, the ethics guidebook offers solutions to various dilemmas based on real life examples from Hynix and answers questions frequently posed by employees.

Launch of Hynix Ethics Management System ⬤ Strengthen training on ethics management

Introduced in June 2008, Hynix Ethics Management System (HEMS) is tailored organized to fit the needs of the wide range of Hynix stakeholders, from employees and ethics leaders to overseas subsidiaries and partner companies. HEMS is a provider of the information on ethics management, human rights, and related activities in every office as well as a consultant of coping with illegal behaviors.

+ Performance of Standardized Ethics Management

| Category		2006	2007	2008
Training	Training hours per person	0.32	0.23	0.30
	e-Message	13 episodes	-	10 episodes
	Cyber-training	-	2nd implementation	implementation at HNSL
Monitoring of Ethics Management Activities	Ethics Performance Index	-	72.8	81.6
	Ethics Practice Index	65.0	76.3	77.4
Promotion of Ethics Management among Partner Companies	Visiting Ethics Class	4 times	11 times	3 times
	Ethics Management Consulting visits	6 times	6 times	4 times

• Ethics Management Website

• Our Ethics White Paper

2008년 윤리경영 중결산 WORKSHOP

+ HEMS Structure

Two-way Communication

Employees — Ethics Leaders

Standard/System
Training/PR
Exchange/Collaboration
Evaluation/Reward

Overseas Subsidiaries — Partner Companies

Real Time Monitoring

User Creating Contents

Customers
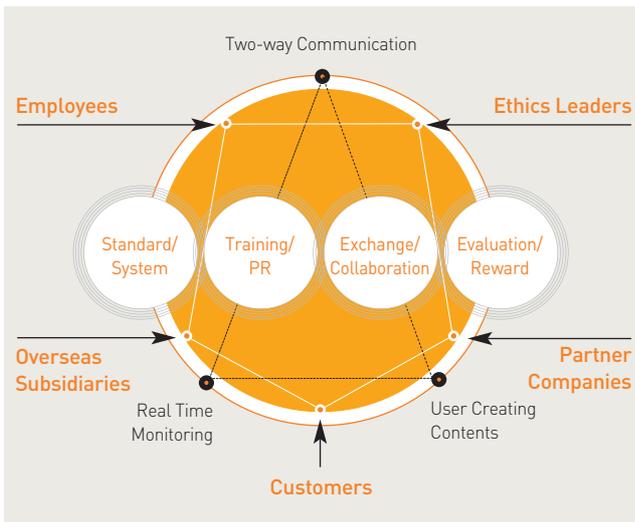
HEMS encourages all employees to actively participate in ethics management and supports ethics leaders in their activities. For that to happen, HEMS is used to promote reading of the Code of Conduct and allows employees to sign the 'Ethics Management Pledge' electronically through the system. HEMS is expected to take on the role of a messenger regarding ethics activities and performance, and it will contribute to boosting considerably the understanding of stakeholders and the company image.

Ethics Management Workshop   About 50 employees of partner companies affiliated with the Hynix Council and 30 ethics leaders of Hynix took part in the 2008 joint workshop on ethics held at the Hynix HRD Center in July 2008, previously held in 2005. Participants actively exchanged views on sensitive issues that often arise in business. They understood in-depth the inevitable trend of ethics management and its importance.

Promotion of Ethical Dilemmas on the Job (e-Message - Ethics White Paper, Season 2)   The e-Message is an online message covering ethical dilemmas frequently faced on the job. Sent out to employees via e-mail, it is a short video clip on ethics unique to Hynix. The first e-Message (Ethics Beverage) was issued in 2005 and the second (Ethics White Paper) in 2006. The third e-Message (Ethics White Paper, Season 2) is a "Photo Drama" that focuses on ethical issues employees face while carrying out their work. It is comprised of ten episodes sent out on a weekly basis. The series of e-message were shared and promoted in HEMS where employees could also leave messages and rate the episodes.

• Reading the Code of Conduct on System

• Signature of Ethics Management Pledge on System

• Ethics Beverage

• Ethics White Paper, Season 1

• Ethics White Paper, Season 2
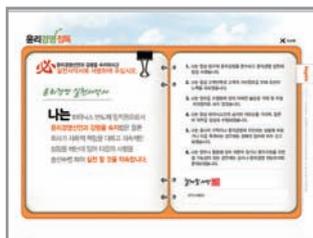
*HEMS can be accessed by entering http://ethics.hynix.com in the address bar and via the Hynix website.

Hynix Ethics Performance Index   Hynix Ethics Performance Evaluation was carried out in November 2008, with feedback gathered from employees, partner companies and other stakeholder groups. The first evaluation was held in 2005 with participation limited to Hynix employees and partner companies, but was expanded to include local communities in 2007. It serves as an opportunity to review our progress on ethics management.

According to the 2008 evaluation, Hynix received an overall score of 81.6 points on ethics management. Taking a closer look, technical/office staff gave a score of 83.3, full-time workers 81.1, and partner companies 80.4. The lower score from partner companies was attributable to a reduction in transaction volume and profits due to the economic downturn. This indicated the difficulties our business partners faced amid the recession and pointed to a need for expanded efforts related to win-win cooperation. Hynix will make continued efforts to address problems identified by the evaluations. Hynix will strive to promote stakeholders' participation in the evaluations so that they serve as an effective communication channel.

Education on Human Rights   Hynix employees receive education on sexual harassment prevention once a year. In November 2008, a video on this issue was distributed for viewing on a team basis. A total of 13,161 people working in our business sites in Korea viewed the video.

In accordance with the pertinent law, Hynix offers annual training on human rights, etiquette and ethics to workers of partner companies who serve in security related positions. Hynix also has our partner companies conduct monthly training regarding work duties and customer service targeting security personnel.

+ 2008 Ethics Management Performance Evaluation

(Unit: points)

Total	81.6
Technical Office Workers	83.3
Full-Time Workers	81.1
Partner Companies	80.4

+ Human Rights Training for Partner Company Staff

(Unit: persons)

Category	2006	2007	2008
Security Training	143	137	129
Customer Service Training	1,206	2,112	2,497
Job Training	1,558	2,382	2,723
New Recruit Training	39	158	191

| Antitrust Compliance | Antitrust compliance

Settlement of Antitrust Compliance Program

Introduction of Compliance Program   Since June 2007, Hynix has been operating the antitrust compliance program to prevent potential losses from business operations and to contribute to fair trade practices. This program was launched after a one-year preparation period made in close collaboration with lawyers in Korea and the United States. The program has been designed in consideration of the unique characteristics of the semiconductor industry and the program's potential impact on the company's overall business. The program satisfies the following seven core factors:

- Management expresses its resolve for antitrust compliance.
- Designate antitrust compliance officers.
- Create and distribute the antitrust compliance manual.
- Operate training programs.
- Establish an internal monitoring structure.
- Place restraints on employees who violate antitrust related laws or regulations.
- Establish a document management system.

Hynix operates a website on antitrust compliance for internal staff and outsiders. A similar website has also been set up at our US subsidiary. The websites are delivering the latest news, reference materials and notices on antitrust issues.

Promoting Compliance Program   In February 2008, we adopted a self-developed mileage program to stimulate employee interest and participation in the antitrust compliance program. Points are given to individuals, teams and departments based on their compliance activities, which are subsequently reflected in performance assessments. Rewards are presented to individuals and departments for excellence in antitrust compliance to provide incentive to abide by related rules and regulations. During the one and a half years since the program's adoption, the Antitrust Compliance Office received 77 requests for consultation and reports on five cases. The office helps resolve potential antitrust issues and provides answers to questions on antitrust regulations. When potential problems are detected, the office orders necessary corrections in the early stage of business to ensure compliance with pertinent laws.

Ongoing Monitoring   Hynix proceeds with ongoing monitoring on antitrust issues. In December 2007, all employees took part in a survey designed to assess matters related to antitrust within the company. The survey was conducted in cooperation with the law firm, Yulchon, and Hyundai Research. In December 2008, the Antitrust Compliance Office held interviews with personnel in selected departments.

Special Education   Education on the antitrust law was provided to the relevant departments including Procurement, Outsourcing and CIS division. In 2008, two training sessions comprising 3 hours in total were conducted by antitrust law professors and the Fair Trade Commission (FTC). For the 168 employees who newly joined Hynix in 2008, the Antitrust Compliance Office held two training sessions for them. Two antitrust training sessions were also held at the subsidiaries in the US during the same year for the purpose of expanding the antitrust compliance program to overseas subsidiaries while compliance program system was established and being operated at HSA(Hynix Semiconductor America Inc.). In addition, we analyzed results of the 2007 antitrust self-evaluation conducted companywide and held in-depth interviews with the departments that needed additional monitoring in December 2008.

▼ Compliance Program Receives 'A' Rating from FTC

Hynix acquired an 'A' rating in the 2008 compliance program evaluation carried out by the FTC. Last year, 53 out of 343 Korean companies that have a compliance program took part in the evaluation. No company received the 'AAA' rating and only two received 'AA.' Hynix received an 'A' which is rare for a company that has implemented the program for just one year. The 'A' rating means that Hynix is eligible to receive a 10% reduction in administrative fines, which in turn should help to minimize contingent liabilities. Administrative fines are generally set at 3% of revenue or below for violating the antitrust law and at twice the contract value or below for breaching the law on subcontracting.

| Corporate Governance |

Shareholder Status

The company offered its shares through IPO in December 1996 and its shares were listed on the Korea Exchange. As of the end of December 2008, the number of total shares outstanding was 459,602,790 and 36% of them were owned by the Share Management Council. The Council is composed of Korea Exchange Bank, Woori Bank, Korea Development Bank, Shinhan Bank, and other financial institutions. Shareholders have decision-making rights on matters such as changing the company's articles of incorporation, making resolutions to appoint executives, and giving approval for settlement of accounts in the general shareholder's meeting.

+ Share Ownership
(As of December 31st, 2008)

Share Management Council

Korea Exchange Bank	8.2 %
Woori Bank	8.0 %
Korea Development Bank	6.2 %
Shinhan Bank	6.1 %
Other financial institutions	7.5 %

Free Float

Other shareholders	64.0 %
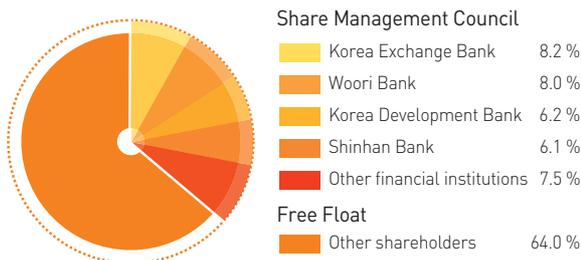
*Shares held by the Share Management Council are subject to restrictions on selling via the open market.

The Board of Directors(BOD)

The BOD consists of twelve directors including four internal directors and eight outside directors. As the semiconductor industry requires quick and efficient decision-making and implementation, the CEO of Hynix concurrently chairs the Board. The number of outside directors makes up 67% of the total number of directors enabling transparent and reasonable decision making. The Nomination & Governance Committee appoints outside directors with transparent and fair process. In particular, the Hynix BOD adopted the "New BOD system" in 2007 and requires a personal interview for an in-depth examination of the candidate. Three sub-committees operate under the BOD - the Nomination & Governance Committee, the Audit Committee, and the Compensation Committee. The outside directors take responsibility as a chairperson for each committee.

In 2009, we newly created the Strategy Committee to enable a thorough review of the company's business strategy and business plans. Going forward, we intend to set up Transparent Management Committee and System Improvement Committee to ensure rational, professional and effective operations.

New BOD System Enhance corporate governance

We introduced a new BOD system to more clearly delineate the respective roles of the BOD and management. We have also strengthened the BOD's autonomy and responsibility to ensure rational and transparent corporate governance. These measures are aimed at helping the BOD reach effective and viable decisions on major issues. In order to have a 'working BOD,' Board meetings are held once a month. Detailed procedures on convening and carrying out the meetings are included in company regulations.

+ New BOD System Performance

Formulated bylaws for BOD operation (BOD regulations provide:)
- Rules on convening and carrying out meetings
- Clarification of matters delegated by the CEO
- Composition and duties of the BOD Secretariat, an organization supporting the BOD

Published the Director's Manual

Published to standardize BOD duties and raise the efficiency of BOD operations. Distributed at the first BOD meeting after each annual general shareholders' meeting.
- Provides an overview of company history and the previous year's business operations
- Contains information needed to carry out BOD duties such as:
- Code of conduct for directors, Code of Conduct, and standards for implementation of duties (including explanations), articles of incorporation, and other BOD regulations

Improved procedure for convening BOD and subcommittee meetings (Adoption of regular BOD meetings:)
- Rules on convening dates for BOD meetings
- Stipulation of company rules on convening procedures and workflow
- Distribution of agenda before meetings (5 days in advance)

(1) **Surety bond_** A bond that guarantees the payment of a financial obligation or confirms
the existence of a debt
(2) **L/C(Letter of Credit)_** A letter written by a bank guaranteeing an importer's credit

Under these rules, directors receive the agenda five days prior to board meetings, giving them ample time to review the necessary materials before making their decisions. Newly appointed outside directors are given tours of the Icheon headquarters, the Cheongju business site and HNSL, allowing them to gain a better understanding of the company's vision, strategic direction, core values, company policy and operations.

A separate subcommittee of outside directors was established to maintain an advanced governance structure. The Outside Director Council promotes continued interest in company operations and active involvement in board affairs among outside directors.

Ubiquitous BOD Operation   Following adoption of the new BOD system, Hynix set up an information service system for board directors (http://bod.hynix.com) in March 2008. This is an ubiquitous system with tight security to facilitate information exchanges between BOD members and the company. It provides real-time information on various company matters, and all procedures related to BOD meetings are carried out online via this system. In July 2008, we introduced a videoconferencing system for more convenient and efficient BOD operation. Moreover, we systematically support directors' activities and help the BOD operate effectively by setting up the BOD Secretariat as a permanent organization for the BOD.

+ BOD Information Service System (bod.hynix.com)
  and BOD Secretariat
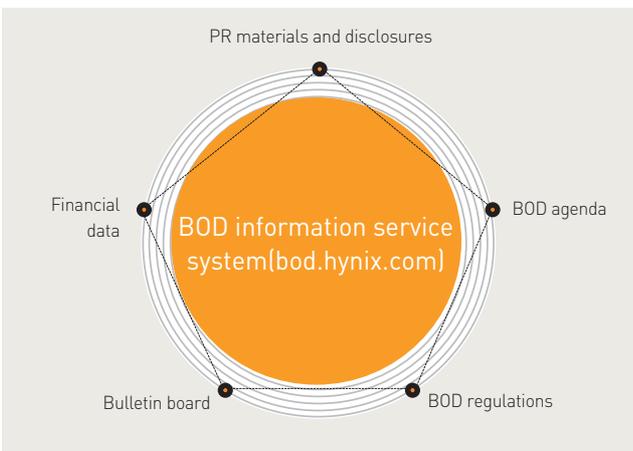
BOD Evaluation Process   The annual limit of remuneration for directors is approved at the general shareholders' meeting. Afterwards, the Compensation Committee deliberates, decides, and executes payment, pursuant to the director remuneration regulation. The actual payments made are reported in the next regular general shareholders' meeting. In December 2008, Hynix formulated a system concerning evaluation and compensation of BOD members in accordance with the "Code of Conduct for Directors," which stipulates the roles of the directors and the basic principles they need to abide by when implementing their tasks. Hynix plans to phase in the system from 2009 after prior discussion of board directors.

+ BOD Activities in 2008

Date	Agenda	Participation Rate of Outside Directors
1/31/08	Ⅰ. Approval of FY2007 Balance Sheet, Income Statement and Statement of Retained Earnings Ⅱ. Approval of 2008 business plans Ⅲ. Issuance of non-guaranteed domestic corporate bonds	100%
3/6/08	Ⅰ. Approval of additional equity investment in joint venture in China Ⅱ. Approval of FY2007 business report Ⅲ. Convening of 60th annual general shareholders' meeting Ⅳ. Revision of Audit Committee regulations	86%
3/28/08	Ⅰ. Appointment of BOD chair Ⅱ. Composition of BOD subcommittees	100%
4/24/08	Ⅰ. Approval of the settlement of accounts for the first quarter of 2008 Ⅱ. Issuance of non-guaranteed domestic corporate bonds	100%
5/8/08	Ⅰ. Pursuit of strategic alliance with ProMOS of Taiwan	100%
6/25/08	Ⅰ. Approval of financial lease Ⅱ. Approval of surety bond[1] issuance Ⅲ. Approval of L/C[2] line increase	100%
7/30/08	Ⅰ. Approval of the settlement of accounts for the first half of 2008 Ⅱ. Approval of financial lease Ⅲ. Plan for the sale of 200mm/300mm wafer equipment(Step 1)	100%
8/20/08	Ⅰ. Issuance of non-guaranteed domestic convertible bonds	100%
9/24/08	Ⅰ. Appointment of Antitrust Compliance Officer	100%
10/29/08	Ⅰ. Approval of the settlement of accounts for the third quarter of 2008	100%
12/17/08	Ⅰ. Approval of settlement of lawsuit involving former management	100%
12/26/08	Ⅰ. Obtaining new syndicated loan Ⅱ. Issuance of new shares	100%

* A BOD resolution is passed when a majority of the directors are in attendance and when the majority of the directors in attendance give their consent. In case of a tie, the chairperson can give a casting vote.

| Operation of Company-Wide Risk Management System |

Risk Management System and Performance

Hy-RWS(Hynix Risk Warning System) From 2004 to 2007, Hynix set up Hy-RWS in business sites in Korea. This system was also set up in the Chinese production subsidiary HNSL in 2008, leading to the creation of a company-wide integrated risk monitoring system encompassing overseas subsidiaries.

In 2008, we reviewed and took steps to address about 16,000 risk items. Hy-RWS led to cost savings of KRW 2.2 billion including refunds we obtained for defective raw materials. We also derived and implemented 60 work improvement measures to prevent risk based on an analysis of finished goods inventory and office automation system assets.

IFIS(Integrated Financial Information System) IFIS is a channel through which top management obtains core financial data including consolidated cash flow forecasts for the next six months and liquidity related action plans. We plan to expand the scope of IFIS, currently in place at our headquarters in Korea, to overseas subsidiaries to develop a globally integrated financial information system.

HICS(Hynix Internal Control System) Boost transparency in accounting

To ensure the credibility of its financial statements, Hynix conducts internal control reviews taking into consideration the general components of internal control including the control environment, risk assessment, control activities, information, communication, and monitoring. Twice a year, assessment results are reported to the BOD after approval from the Audit Committee. The results are also disclosed via audit reports. In 2008, we reviewed internal control procedures at our overseas subsidiaries to prepare for adoption of the International Financial Reporting Standard (IFRS). This should allow us to satisfy legal requirements following the change in accounting standard (law on external audits of stock companies). Hynix proactively responds to the changing external environment (law revisions, etc.) in order to maintain effective internal control while complying with relevant domestic laws.

+ Organizational Chart of Company-Wide Risk Management System

CEO	Board of Directors

Internal Audit & Consulting Office	Corporate Finance Division	Audit Committee
- Hynix Risk Warning System	- Hynix Internal Control System - Integrated Financial Information System	

+ Risk Management System

Company-Wide Integrated Risk Monitoring System

▲

Hy-RWS	IFIS	HICS
- ERP-based on-line risk monitoring - Internal control system related to compliance with laws and operations - Business team managers are given rights to engage in voluntary risk monitoring and control	- Provide key financial data, handle financial transactions such as those involving tangible assets, and manage financial risk	- Internal control system related to accounting credibility - Compliance with legal requirements (Securities Transaction Act, Outside Auditing Act, etc.)

Stakeholder Survey

Apart from the previous year's stakeholder survey, we conducted another survey in 2008 to reflect their opinions in this report. Moreover, it was conducted by a third party to secure trust and creditability. Questionnaires were composed of four categories that included general sustainability management(including ethics), economy(including innovation and creation), society, and environment. The results were utilized to select material issues. Below we report the material issues selected through a materiality test and relevant survey questionnaires as follows:

General Sustainability Management
(Unit: %)

1. Hynix will exist for the long term.

2008 | 83.0
2007 | 83.3

2. Hynix transparently discloses accounting information to all stakeholders.

2008 | 81.2
2007 | 73.7

3. Hynix goes through a fair process when choosing partner companies.

2008 | 81.2
2007 | 75.2

Ethics

4. I have knowledge about the content of the Code of Conduct of our company.

2008 | 82.3
2007 | 67.4

Innovation and Creation Management

5. Hynix places importance on innovation.

2008 | 82.8
2007 | 81.0

Customers

6. Hynix recognizes and makes an effort to minimize the adverse impact of products on the environment and society.
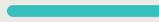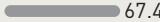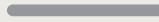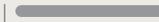
2008 | 83.0
2007 | 80.4

Partner Companies

7. Hynix supports education and provides consultation for partner companies to practice sustainability management(ethics management, social and environment management)

2008 | 80.7
2007 | 74.0

8. Hynix is operating partner company support policies for win-win cooperation.

2008 | 80.3
2007 | 71.5

Employees

9. Our company has superior child care and women's benefits policies compared to other companies.

2008 | 77.3
2007 | 65.7

10. Our company provides sufficient opportunity to acquire the knowledge and skills needed to successfully perform job duties.
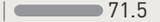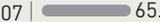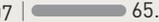
2008 | 75.5
2007 | 65.9

Environment

11. Hynix gives consideration to the environment throughout the entire product life cycle from materials and equipment purchasing to production and disposal.

2008 | 82.6
2007 | 78.5

12. Hynix strictly abides by regulations and standards on environmental pollutants.

2008 | 82.7
2007 | 78.9

13. Hynix makes an effort to reduce greenhouse gases.
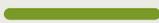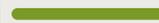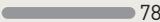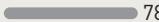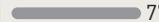
2008 | 83.9
2007 | 77.1

01

ECONOMIC
PERFORMANCE

As a leading semiconductor company, Hynix holds 19.4% of the world DRAM market based on its world's best state-of-the-art technology, and is raising its global position through R&D and innovation.

KRW **499.5**billion

2008 (10.8%)

KRW **699.9** billion

R&D Expenditures

Hynix has actively implemented R&D investment for mid to long-term development, and has increased R&D expenditures to total sales from 5.9% in 2007 to 10.8% in 2008.

KRW **401.7** 2006 (5.3%) billion

Economic Performance and Plan

Hynix's established business structure and foundation of earnings will help the Company grow to become the world's leading semiconductor company.

| Creation and Distribution of Economic Value |

Creation of Economic Value

Sales in 2008 were KRW 6,818 billion, approximately 21% lower than the previous year due to poor demand. The company also recorded operating loss and net loss of KRW 1,920 billion and KRW 4,745 billion, respectively due to a rise in raw material prices and falling average selling prices affected by the reduction in semiconductor demand. Sales of DRAM and NAND Flash, which are our core products, accounted for 73% and 21% of total sales, respectively. The large gap between operating loss and net loss in 2008 was attributable to foreign exchange losses stemming from a weak Korean Won and an impairment loss caused by discontinuance of 200mm wafer[1] FAB lines such as M7 in the Icheon business site and M9 in the Cheongju business site.The company decided to stop operating at 200mm wafer FAB in order to accelerate restructuring of unprofitable segments and enhance productivity.

2006		2008
552.7	Non-Operating Profit	1,036.0
27.2	Benefits	40.5
2,016.0	Raw Material Costs	2,356.9
8.5	Taxes	9.1
461.6	R&D Expenditures	699.9

+ Sales by Product

Consolidated basis, (Unit: KRW billion)

Category		2006	2007	2008
Memory	DRAM	5,368.7	6,211.4	4,962.7
	NAND Flash	2,228.0	2,194.5	1,445.7
Other		135.2	237.7	409.6
Total		7,731.9	8,643.6	6,818.0

+ Key Financial Performance

Consolidated basis, (Unit: KRW billion)

Category	2006	2007	2008
Sales Volume	7,731.9	8,643.6	6,818.0
Operating Profit	2,074.1	513.7	-1,920.1
Operating Profit Margin	26.8%	5.9%	-28.2%
Net Profit	2,054.0	3,639	-4,744.7

+ Distribution of Economic Value

Consolidated basis, (Unit: KRW billion)

Category		2006	2007	2008
Creation of Economic Value	Sales	7,731.9	8,643.6	6,818.0
	Non-Operating Profit	552.7	618.6	1,036.0
Employee	Employee Payment	107.8	112.4	129.1
	Retirement Allowance	11.6	15.8	17.8
	Benefits	27.2	31.1	40.5
	Education and Training Expenses	4.8	5.2	8.3
Partner Company	Raw Material Costs	2,016.0	2,249.8	2,356.9
Country and Local Community	Taxes	7.1	7.0	9.1
	Donations	8.5	2.7	0.9
	Corporate Tax	-126.3	98.7	-29.9
Others	R&D Expenditures	401.7	499.5	699.9
	Interest Expenses	2,021	2,603	4,143
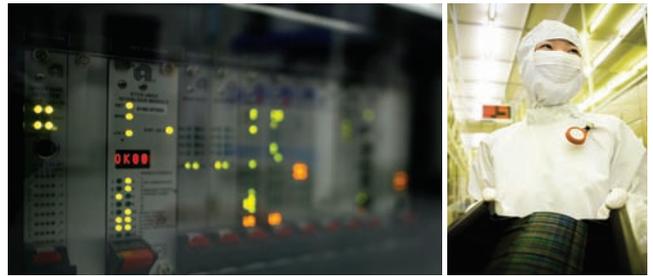
| Crisis and Opportunity |

Market Situation & Outlook

The prospects are not clear as to how long the global recession will persist. The current outlook is that the deepening slump will depress semiconductor demand at least through the middle of 2009.

Due to the present environment, numerous 200mm wafer FAB lines are being closed down. Capacity expansion is expected to be limited in new 300mm wafer FAB lines and there could be obstacles to migration to next-generation technology. Supply should also be restricted as weaker players exit amid industry consolidation. Taking that into consideration, supply and demand is forecasted to achieve a balance in the second half of 2009 when supply is expected to decrease substantially.

Contrary to forecasts by market research firms, DRAM prices fell sharply in 2008. The price decline was also steeper than expected for NAND products as a faltering economy weighed on demand. Our overall DRAM market share contracted in 2008, but we enjoyed market share gains in mobile memory products.

DRAM Market Outlook: Oversupply to Ease in 2nd Half of 2009

Production and investment cutbacks coupled with industry realignment should help to slow down supply growth, leading to better market conditions in the second half of 2009. Bit growth[2] (B/G) is expected to fall below the historically low rate of 39.5% posted in 2003 since the PC market is poised for contraction although demand for netbook and mobile devices is expected to be robust

NAND Flash Market Outlook: Oversupply to Ease from 4th Quarter of 2009

Gradual improvements are foreseen on the supply side in 2009 as weak demand prompts chip makers to reduce output and investment. However, the economic recession and absence of a killer application[3] portends the lowest ever bit growth (B/G) since NAND Flash statistics started being compiled in 2001. NAND Flash market recovery is likely to be swayed by the pace of growth in demand for SSD[4] (Solid State Drive).

Strategy for Sustainable Growth

Hynix will maintain a cash flow oriented approach to enhance financial stability and overcome the hostile business environment while reinforcing our technological and cost competitiveness to stay ahead in the memory market. We intend to widen our lead against market latecomers in DRAM via production of 54nm and 44nm products while narrowing the gap with market leaders in NAND Flash by speeding up production of 41nm products and development of 32nm products. Enhancing profitability is another major objective at Hynix, for which we plan to expand our portfolio of high value-added products such as mobile memory. At the same time, we will continue investing in R&D into next-generation memory and other areas that will drive future growth.

We also have been exploring entry into related businesses leveraging our knowhow in memory semiconductor. The strategic alliances we recently announced are in line with that strategy.

+ Strategic Alliances to Drive Future Growth

	Alliance Partner	Area of Cooperation
Mar. 2008	Fidelix	DRAM foundry[5]
Apr. 2008	Anobit / Grandis	NAND Flash controller / STT RAM
Jun. 2008	Phison	SD card controller
Jul. 2008	Siliconfile Technologies/ C&S Technology	CIS/ System IC
Aug. 2008	Numonyx (contract amendment)	NAND Flash (business cooperation)

▼ 300mm FAB in Cheongju Supports Balanced Regional Development

Hynix completed building 300mm wafer FAB lines in Cheongju in March 2008 and started partial production at the facility in September 2008. The new Cheongju FAB (M11) sits on a site measuring 108,697㎡ and has a total floor space of 294,637㎡ (including auxiliary facilities). It was designed to take maximum advantage of workers and facilities of our existing facilities in Cheongju.

M11 was built as an eco-friendly FAB and includes environmental facilities, including devices to reduce air pollution. We have invested approximately KRW 1.5 trillion (including KRW 750 billion for M11 construction) to date. Additional investments in the new Cheongju FAB, which should contribute to promoting balanced regional development, will be decided depending on market conditions.

Efforts to
Create Economic Value

Hynix is creating future value through cutting edge products and technology leadership

Investment for Sustainable Growth

Hynix has continually made investments into research and development to secure mid to long-term growth. The company steadily increased R&D expenditures, thus increasing the proportion of R&D investment out of sales from 5.9% in 2007 to 10.8% in 2008. We strengthen our technology leadership by developing at least one generation technology a year, including 54nm DRAM and 41nm flash memory recently. Going forward, we will concentrate on R&D to secure future technologies and competitiveness.

+ R&D Expenditures Trend

Non-Consolidated basis, (Unit: KRW billion)

● R&D Expenditures   ■ R&D Expenditures/Sales

Year	R&D Expenditures	R&D Expenditures/Sales
2008	699.9	10.8%
2007	499.5	5.9%
2006	401.7	5.3%
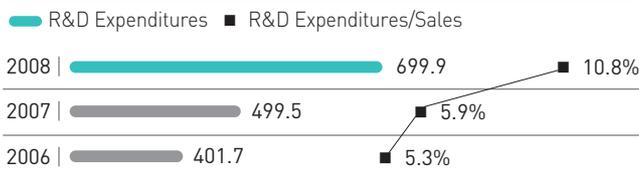
Development of
Next-Generation Products & Technology

Technological and product innovation

In accordance with an agreement with major domestic peers to pursue collaborative R&D in three areas, Hynix has been taking part in joint research into core technology for next-generation terabit[1] memory (Spin Torque Transfer RAM; STT RAM) since September 2008. We should be able to gain an advantageous position by securing the technology by the time demand begins emerging for STT RAM, which is estimated to be 2012. Hynix is also a participant in projects backed by the government. These include development of next-generation high-density stacked memory based on Deep Via[2] technology (Nov. 2006~Oct. 2009; KRW 2.84 billion) and transistor process technology for next-generation devices (Sep. 2007~Aug. 2011; KRW 1.6 billion). As of March 2009, we participate in 31 government projects including six projects for development of next-generation non-volatile memory semiconductors, eight projects for commercialization of nano semiconductor equipment, and a mutual cooperation project for performance evaluation.

| DRAM |

DRAM(Dynamic Random Access Memory) represents volatile memory semiconductor and is easy to highly integrate. It consists of approximately 51% of the memory market.

+ Global Market Share - DRAM

Year	Market Share
2008	19.4%
2007	21.3%
2006	16.6%
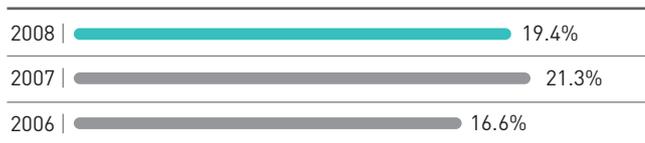
Source: iSuppli

Since 2005, Hynix has ranked second in terms of market share in the global DRAM market through productivity enhancement backed by the highest level of micro process technologies. During the same period, the company has continued to rank top in the Chinese DRAM market, which will be a key factor to enable us to strengthen market dominance and raise growth potential in the future.

+ Proportion of DRAM Sales by Application

(As of the end of 2008, based on operating results)

2008

Application	%
Desk top PC	24%
Notebook PC	32%
Server	17%
Graphics	7%
Consumer	12%
Mobile	8%

2007

Application	%
Desk top PC	29%
Notebook PC	31%
Server	17%
Graphics	9%
Consumer	11%
Mobile	3%

2006

Application	%
Desk top PC	27%
Notebook PC	36%
Server	15%
Graphics	9%
Consumer	13%
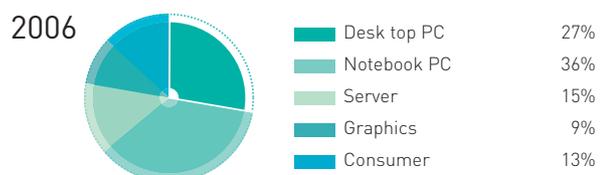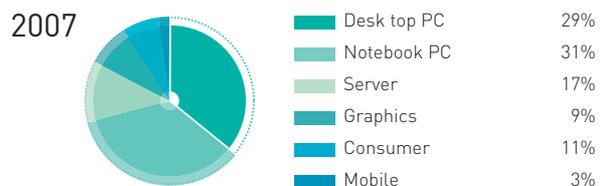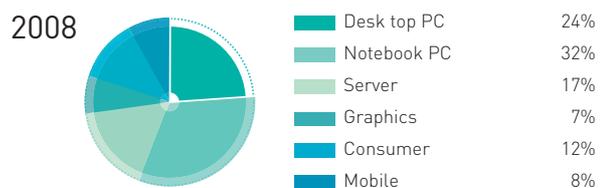
(4) Gb(Gigabit)_ It indicates amount of information. 1 Gb means one billion bits of information. Its capacity is four times larger than 256Mb

(5) Gbps(Giga bit per second)_ It indicates amount of information that can be sent per second. 1 Gbps means one billion bits of information can be sent per second

(6) GB(Giga bytes)_ It indicates amount of information. 1 GB means one billion bytes of information. One byte is equivalent to 8 bits.

Main Memory

In 2008, DRAM represented about 73% of the total sales. Main memory made up the largest portion of DRAM sales with 73% of DRAM revenues based on the steady demand from diverse applications including desk top PCs, notebook PCs, and servers.

Graphics Memory

Graphics memory requires highly advanced technology since they need to process data at faster speeds than conventional memory. In November 2007, Hynix developed the world's first 66nm 1Gb[4] GDDR5. One year later, the company followed up with the development of the first ever 54nm 7Gbps product boasting a 40% higher speed than 5Gpbs[5] memory chips.

Consumer Memory

Consumer memory is used by numerous companies in a wide range of applications. It is included in digital TVs, DVD players and other home appliances as well as PC peripherals such as hard disks, optical drives, printers and multifunctional devices. Hynix offers DDR2 in Fine Pitch Ball Grid Array (FBGA) packages that deliver a speed of 1066Mbps to facilitate the development of ever smaller portable digital devices.

Mobile Memory

Mobile memory is expected to show the fastest growth in the coming years given the trend of IT convergence. Hynix plans to invest in this area, thus expanding market share to 24% in 2009 from 14% in 2008. Through these efforts, we will boost sales while enhancing customer value. Hynix unveiled the world's fastest and smallest 1Gb mobile DRAM in August 2007. Then in December 2008, we added another world first to our track record by developing a 54nm 2Gb mobile DRAM featuring the highest speed and density. A series of developments enable us to lead the global high density mobile memory market.

+ Global Market Share – Mobile DRAM

|	
2009(plan)	24%
2008	14%
2007	7%
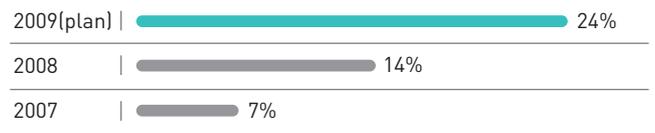
Source: iSuppli

Technological Leadership

In June 2008, Hynix received global recognition for our advances in 44nm technology as our paper on "44nm DRAM integration" received the spotlight at the VLSI Symposium. In February 2009, we introduced the world's first 1Gb DDR3 DRAM based on 44nm technology, widening the technology gap with competitors to more than a year and securing technology leadership. In 2009, we will do our utmost to continue to maintain our development competitiveness by switching DDR2 to DDR3 while reducing the span for new technology development.

+ Technological Leadership in DRAM Development

Jan. 2008	Acquired Intel validation for 54nm 1GB[6]/2GB module
Apr. 2008	Developed the world's fastest mobile 1Gb LPDDR2 (gained an edge in the high-density mobile memory market)
Aug. 2008	Developed the world's first 16GB DDR3 server memory module (high density and fast speed provides an edge in the high-performance server memory market)
Nov. 2008	Developed the world's first 54nm 1Gb GDDR5 to realize a speed of 7Gbps
Dec. 2008	Developed the world's first 54nm mobile 2Gb LPDDR2
Feb. 2009	Developed the world's first 44nm 1Gb DDR3
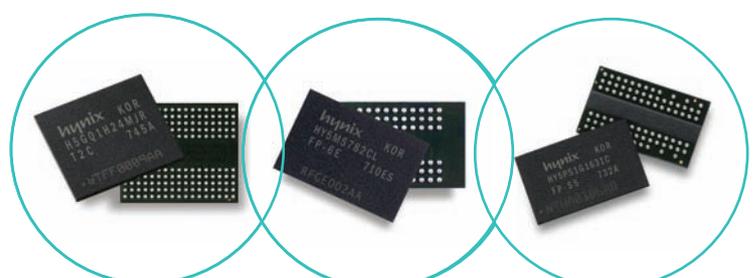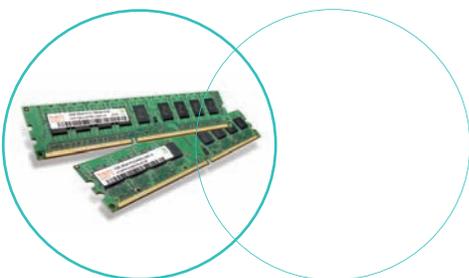
(1) **SLC(Single Level Cell)**_ It can save one bit of information per cell and features fast speed.
(2) **MLC (Multi Level Cell)**_ It can save two bits of information and is a technology used to store many bits per cell.
(3) **TLC (Triple Level Cell)**_ It can save three bits of information per cell and is a technology used to store many bits per cell.
(4) **SOC(System On Chip)**_ Technology to integrate several functional systems on a chip

Flash Memory

| Flash Memory |

NAND Flash is used in data storage applications. It is a non-volatile memory, meaning that stored data is not lost even when power is turned off. Along with low power consumption, another advantage is the high speed at which data can be saved or deleted. SLC(Single Level Cell)[1] NAND Flash is used in products requiring fast speeds, while MLC(Multi Level Cell)[2] products are used in applications requiring storage of large volumes of data. NAND Flash is growing faster than other products since it is utilized in a variety of applications that includes basic portable storage devices, MP3 players, PMPs, digital cameras, mobile phones, notebook PCs and desk top computers.

+ Global Market Share – NAND Flash

2008	12.3%
2007	17.1%
2006	17.7%

Source: iSuppli

+ Proportion of NAND Flash Sales Quantity by Application
(As of the end of 2008, based on operating results)

2008

Card	34%
Consumer	4%
MP3	24%
USB	36%
Mobile	2%

2007

Card	26%
Consumer	4%
MP3	39%
USB	29%
Mobile	2%

2006

Card	32%
Consumer	2%
MP3	31%
USB	34%
Mobile	1%
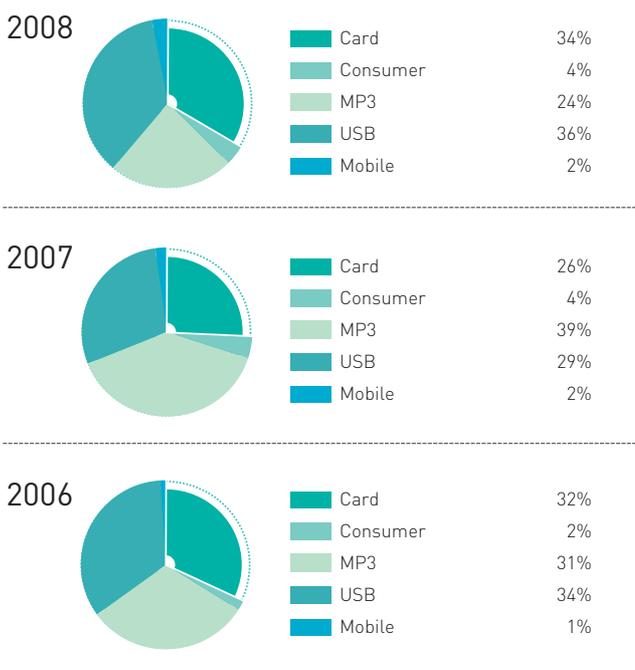
NAND Flash accounted for 21% of the company's total sales. We can flexibly adjust the production and sales of NAND Flash and DRAM according to the market situation. Hynix began the NAND Flash business in 2004, and has ranked third in terms of market share in the world since 2005.

Technological Leadership

The future is expected to be led by TLC(Triple Level Cell) technology which was developed by Hynix and is now in the commercialization stage. With faster bit growth than MLC products, TLC NAND Flash is forecast to overtake MLC in the next 2~3 years. In June 2008, Hynix developed the world's first TLC 48nm 32Gb NAND Flash memory. Adoption of TLC technology reduces manufacturing costs by more than 30% compared to MLC since TLC enables us to respond to high density products. Hynix developed the world's first SOP-type ODP (Octuple Die Package) NAND Flash and began mass production in December 2008. This marked the start of cost-competitive production of a thin, high density product.

We plan to launch production of 41nm NAND Flash in the first half of 2009. In the latter half, we will work on developing 32nm process in the next step to advancing our technological position.

▼ Countervailing Duty

The US, EU and Japan imposed countervailing duties against Hynix DRAM products manufactured in Korea and exported to those regions, claiming that the debt rescheduling scheme arranged by the Creditor Council in 2001 and 2002 was a form of government subsidy. On April 7, 2008, the Council of the European Union gave its final approval to a recommendation by the European Commission to repeal the countervailing duty imposed on Hynix DRAM. The decision had retroactive effect back to December 31, 2007. In addition, the US Commerce Department officially notified the US International Trade Commission of its decision to abolish the countervailing tariff against Korean DRAM within 90 days of the start of the sunset review (July 1). That decision was made as interested parties in the US did not express whether or not they would participate in the review process as of August 20.

Following removal of the countervailing duty by the EU and the US, Hynix reexamined the supply and demand conditions and its market strategy for the two regions and decided to proceed with aggressive marketing to expand local market share. However, Japan has yet to repeal its countervailing duty even though the WTO has ruled against the tariff. Hynix and the Korean government have requested a reexamination by the Japanese authorities and will pursue WTO procedures to have the duty lifted.

CMOS Image Sensor

Innovation and Creation Management Performance

Hynix strengthens the foundation of sustainable growth by innovating products, processes and people

| CMOS Image Sensor |

CIS captures images in digital imaging devices such as camera phones, webcams, and digital cameras. It is an SOC[4] type chip that does not require peripheral circuits and consumes a low amount of power. Presently, CIS is widely used in cell phones, but its application scope is quickly expanding thanks to recent enhancements in image quality. CIS requires a wide range of technologies spanning from pixel design, analog and digital circuits design to process technology. Roughly ten companies have entered the CIS market to date.

Hynix has acquired related technology and is conducting joint R&D under a strategic alliance with Siliconfile Technologies. Development of CIS VGA, which began in January 2008, was completed in July. Our development period was one year shorter compared to that of rival firms. We started supplying the product in November after acquiring client validation theirby generating our first revenue from CIS. In 2009, we aim to develop ten products and distribute five. Over the longer term, we plan to expand the field of application to automobiles, medical imaging and robots. To expand our reach from memory to system IC, we continue to pursue strategic alliances and in-house R&D projects. Our strategy is to nurture system IC as our future core business.
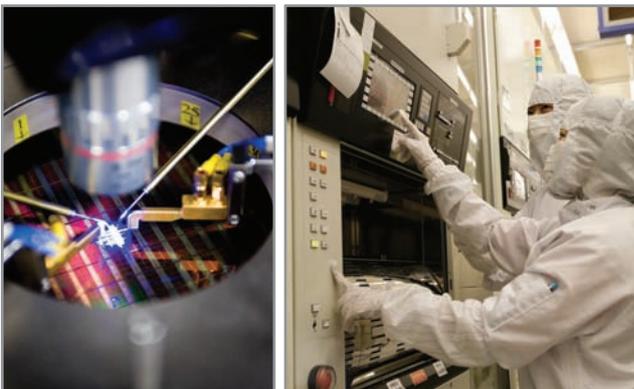
| Innovation Management |

2008 saw the global financial crisis prompting a contraction of the real economy and the semiconductor market. Despite the challenging business environment at home and abroad, our belief that crisis is part of the growing process prompted us to accelerate innovation in our products, processes, and people. As a result, we laid the groundwork for an information-sharing system and system management to drive greater efficiency in our operations. We also adopted the 'Toyota Way' as a benchmark. Innovation training was expanded to include team leaders and working-level staffs to raise employees' interest and capabilities in innovation. We thus readied the foundation for an innovation system and related strategies to achieve our company vision.

Hynix Vision			
(**Value Creation through Innovation Alignment**)			
TFT Project Innovation	**Company-Wide Campaign to Eliminate Waste**	**Innovation Training**	**Support for Implementation**
- Top-down - Select and concentrate - Value add	- Bottom-up - Volunteer and participate - Cost down	- Nurture innovation leaders - Teach innovation methodology - Instill innovation mindset	- Standard implementation process - Problem-solving process

Hynix has selected the following four strategies to raise efficiency and performance-oriented implementation abilities in 2009.

First,   We will encourage more TFT projects for top-down designation of the factors most critical to our company's profit creation and growth, and concentrate on enhancing our innovation capabilities.

Second,   We will pursue a company-wide campaign to eliminate waste in order to strengthen our organization and secure long-term growth engines.

Third,   We will systematically nurture innovation leaders to internalize our innovation capabilities and build a system that supports growth.

Fourth,   We will effectively employ a variety of innovation programs (TPM, TRIZ, DIPS, PI) to boost our innovation implementation abilities.

| Innovation Activities |

Process Innovation Innovate internal processes

As part of our ongoing commitment to process innovation (PI), we extended our supply chain management (SCM) system to include sales. Previously limited to production, SCM allows us to manage our sales and production plans in line with our system and regulations. This not only provides greater transparency and reliability, but the sharing of information and cooperation among related departments has enabled us to expand our innovation activities from manufacturing which focused on improving productivity, to sales which stresses customer satisfaction and profitability. Thanks to such efforts, Hynix won the Korean Society of Supply Chain Management's 2008 Grand Prize in Manufacturing and 2008 Logistics Grand Award. We also readied a web-based working environment for system management by opening and applying of strategic business management system (SBMS), information sharing based on work-flow covering R&D to manufacturing, and a customer-oriented "Design-in" system. Furthermore, following the first phase of master data management (MDM) for product information, we finished the second phase for standardizing equipment, processes, materials, partners, and customers. In 2009, we plan to pursue the third phase for standardization of quality, organization and employees.

+ Integrated Information Management

Marketing	Design-in		
R&D	R&D Workflow		
Manufacturing/ Quality	FAB & Production Information	FP[2], SCP[3]	SPEC
	Cost Analysis	Integrated Information on Production	Quality
Procurement/ Logistics	SRM[4]	Integrated Information on Management	Logistics
	ERP[5]		
Sales	CRM[6]		SCM
Operations/ Finance	IFIS		BSC[7]
	System Management		
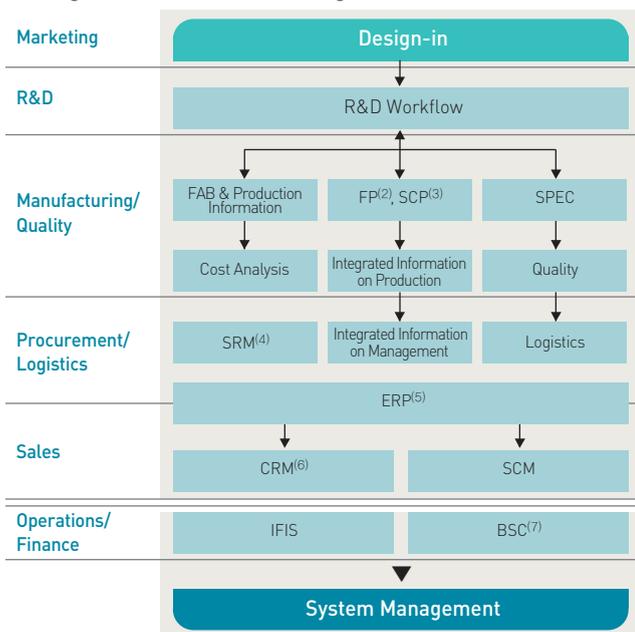
'Toyota Way'

As part of our efforts to build an innovation culture based on labor-management trust, promote a customer-oriented marketing culture within our organization, and create best results for each value chain, all Hynix executives (including the CEO and labor union) and some team managers received on-site training at Toyota. Twenty-five projects were selected for each division and were all completed.

TPM

R&D   Our TPM (Total Productive Maintenance) strategy for R&D in 2009 comprises enhancing the framework and quality of initial R&D management to integrate R&D operations (Master Plan, Check Sheet) and build a one-shot development system (systematic improvement activities). The main goal of the strategy is to eliminate R&D waste, bolster our problem-solving ability, and enable individual improvement activities by securing facilitators.

Manufacturing   Our Manufacturing Division first undertook TPM activities in 2002. Since July 2007, the division launched the second phase of TPM activities which concentrates on raising operational efficiency, abolishing perfunctory TPM activities, reducing work through early problem solving, and producing synergies through collaboration.

Recognition of Innovation Activities

At the finals of the National Quality Circles Competition, held in Gyeongju city and hosted by the Korea Standards Association and supported by the Ministry of Knowledge Economy, four Hynix quality circles from Gyeonggi-do and Chungcheongbuk-do won three Presidential Gold Awards and one Bronze Award. Hynix received the most honors for a single company, even though this was only the second time it participated in the competition.

TRIZ

TRIZ is a problem solving method based on logic and data which accelerates the ability to solve problems creatively. We actively adopted TRIZ[8] to fortify our R&D creativity and introduced an innovation system that integrates all of the work processes from product planning to manufacturing to shorten the development period.

| Patent Management |

DIPS (Double IP System: Increasing Productivity of Intellectual People)

The first phase of DIPS consulting was held from July 2008 to February 2009 for 12 R&D teams. In 2009, we plan to expand on the experience of the 12 teams which are currently undergoing consulting. While the first phase of DIPS focused on improving productivity for each functional organization, the second phase will highlight project productivity.

Implementation of Innovation Projects

Seventy division-level innovation tasks strengthened our implementation ability, while 30 strategic tasks were implemented for company-wide innovation. In 2009, we plan to carry out tasks with greater success and accuracy by incorporating diverse programs such as 'Team Action Workshop' which promotes teamwork and collaboration systems.

Company-Wide 'Best Task Competition'

In July 2007, we launched a company-wide 'Best Task Competition' to recognize and reward the best innovation practices and projects. The twice-yearly event was expanded from company-wide strategic tasks and headquarters innovation tasks to include all innovation activities, including TPM, from the second half of 2008.

Innovation Training and Leadership Program

We completed the first stage of innovation training programs targeting top-priority employees, namely mid-level managers and working-level staff. In addition, we established a unique innovation leadership program for the purpose of systematically nurturing innovation leaders. The program follows a course of Change Beginner ▶ Change Agent ▶ Change Expert ▶ Change Master. In November 2008, 65 candidates (20 from R&D, 20 from manufacturing and 25 from support functions) were selected to undergo the year-long course involving classroom training, practical on-site training, and project implementation.

Objective of Patent Management

Through our R&D activities, we are developing leading technologies and strategically patenting these technologies. We are thus able to actively respond to patent disputes with other companies and pursue cross licensing[9] to increase royalty income. The ultimate objective of our patent management is to secure core technologies and a leading position in semiconductor technology.

Patent Management Activities

To gain patent rights to our R&D results, we introduce patent personnel into R&D from the initial study or product planning stages. This entails researchers and patent personnel working together to review preceding patents, share patent information and create a patent map to analyze and share data on related patents in order to actively patent research achievements. Our industry-leading intellectual property rights management system allows us to manage our proprietary technologies and patents in an efficient, computerized format. In 2008, we declared our commitment to securing quality patent rights and since the second half of the year we have been concentrating on the quality rather than quantity of secured patents. We also conducted 12 sessions of customized training for researchers (20 researchers per session).

+ Number of Patent Registrations

(As of the end of 2008, unit: cases)

Korea   USA   Other

Year	Korea	USA	Other
2008	1,856	427	445
2007	2,558	399	378
2006	2,428	487	478
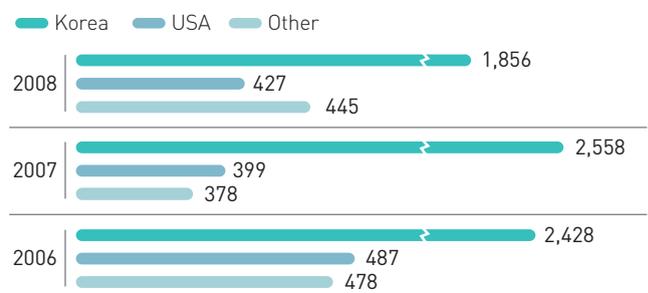
* Other refers to China, Japan and Taiwan (other than Korea and US).
* In the previous report, we provided patent information only related to DRAM and NAND Flash. This report includes all the patents we own.

02

SOCIAL
PERFORMANCE

Hynix has grown with various stakeholders such as customers, employees, local communities, etc. And we contribute to making an affluent society by sharing the values that were created during the process.

Customers
Employees
Partner Companies
Local Communities

41,376 [2008] hours

Hours of Social Contribution Activities by Hynix Employees

Eight hundred seventy four Hynix employees participated in volunteer activities every month in 2008. We maintain close ties with our communities to accurately assess community requirements and search for effective support measures.

22,461 [2007]

Customers

Hynix enhances customer value with high technology and the best quality.

| Customer Satisfaction Quality Management |

Task force teams (TFTs) for each client group comprising personnel from quality, production technology and R&D are responsible for assessing customer needs, reflecting their demands and providing customized service.

Customer Satisfaction and Rating

Hynix currently supplies products to about 600 companies in 50 countries, including Apple, Dell, HP, IBM, Lenovo, Sony, NEC, Fujitsu and Toshiba. As of the third quarter of 2008, we received a customer rating of 2.5, down by 1.2 from the previous year. In response, we created a cooperative committee with the goal of achieving a No.1 rating and have launched various activities to maximize customer loyalty and strengthen customer ties.

Customer Satisfaction Communication

Response to Customer Communication with customers Every quarter, our quality assurance team and customer companies conduct on-site meetings to assess customer needs. Customer opinions are relayed to all divisions, including front-line operations, R&D center, production, quality, sales and support. We plan to step up such activities in 2009, visiting our customers in China and Taiwan as well as our core client base, to listen to their views and apply them to our operations.

QBR (Quarterly Business Review) Take responsibility for products and quality Hynix evaluates customer satisfaction index of TQRDC (Technology, Quality, Responsiveness, Delivery, Cost) quarterly in order to enhance the company's product quality and overall service satisfaction.

HyCRM - Integrated Customer Management System Together with strengthening ties with existing customers, Hynix grasps the needs of customers in advance and is carrying out a customer-oriented "Design-in" system to develop and offer customized solutions.
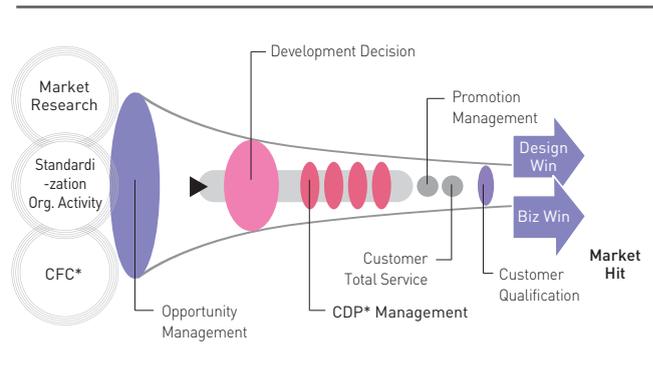
* CDP : Critical Decision Points
* CFC : Customer Facing Committee

QTR (Quarterly Technology Review) Hynix introduces future products and holds a conference for sharing technologies on a regular basis. By doing so, we improve the customers' understanding of our products and technologies and intensify relations and business cooperations.

Hynix Newsletter Every month Hynix sends a newsletter about Hynix's technology that provides news on new product development, certification status and trends of new technologies by email to major customers' executives and staffs in charge of marketing, technology, and purchasing. Currently, the newsletter is sent in English and we plan to offer local language(Korean, Chinese, and Japanese) newsletters additionally to increase the understanding of the local customers.

CCK (Customer Care Kit) Hynix acts quickly and clearly to all kinds of our customers' inquiries that are posted on our website.

Provide Diverse Product Information Hynix offers the specific product data in various forms such as databook, catalogues, etc on our website for our customers' convenience and accessibility. We are updating multilingual websites country-by-country including the global site so that we can maximize public relations efficiency. Hynix will keep websites upgraded. There were no cases of legal violations in 2008, such as cases of civil complaints in relation to consumer safety and health, advertising, and marketing.

▼ Response to Customers and EICC(1) Requests

Products and services that consider ethical, social and environmental aspects

Hynix is equipped with the systems, organizations, regulations and management framework to fulfill its social responsibilities in labor, ethics, environment, safety and health (ESH). We satisfy the demands of Electronic Industry Code of Conduct (EICC) and our customers, and are leading the way as a responsible corporate citizen.

Many customers, including Dell, Nokia, Ericsson, Lenovo, HP, Microsoft, Motorola, Apple, Foxconn and AMD, made various requests regarding corporate social responsibility (CSR) in 2008. In response, we expressed our commitment to comply with EICC standards and submitted a self-assessment questionnaire. We also checked our domestic operations and HNSL, and took corrective measures for items that were found to be lacking, as in working times and ESH. We also addressed demands for EICC compliance to be extended to our partner firms by including a clause in our purchase contracts. Hynix is dedicated to introducing a greater range of CSR activities and promoting EICC among our partner firms.

Process Change Notification (PCN)

In 2008, we notified our customers of 90 PCNs including the validation PCN for our new 54nm DRAM (Orion) and applied 86 that were approved by customers. With our three-month prior notification regulation, we are preventing the occurrence of any problems that may arise from our existing or new businesses.

Establish System to Settle the Defects Presented by Customers on the Spot

We set up the technology center and research lab in the U.S, Japan, Taiwan, and China to settle the defects or complaints presented by customers and when any technological support was needed, we directly cooperated with the customer R&D on the spot or the engineers of our company visited the customers and solved all kinds of technological problems directly and thus built the spot solution system at an early stage.

Timely Certification of New Product for Customers

We cooperated with our overseas technology marketing and R&D division from the Design-in stage of the products that customers newly develop. Then we built a system called the Self Qualification Program that conducts certification tests with customers to commercialize the products. With major strategic customers such as; AMD, nVidia, Lenovo, Apple, Hynix proceeded with the system development of customers and solved various problems that arose from the early stage of new product development. At the same time, we conducted certification tests to curb development time and ensure product quality.

Customer Technical Support and Training

In November 2008, Hynix invited engineers from client firms to our Icheon headquarters to participate in a technical and quality training program. We plan to expand such exchanges with client firm engineers to promote communication on issues related to customer products and services.

Employees

In a global company, there are "top-class talents" who have competitive capabilities.

| Employee Satisfaction | Ensure impartiality in the HR system, Root out discrimination

Employee Status

The number of employees working at Hynix reached 21,457 as of the end of December 2008. There are 11,416 employees at the Icheon headquarters, 5,472 at the Cheongju business site, 385 at the Seoul office, and 4,184 at overseas subsidiaries. 99.9% of the employees are regular employees and the average length of employment is 5.9 years.

The job creation ratio of Hynix was -1.3% while the turnover rate was 7.51% in 2008. The negative job creation ratio was due to a decrease in recruiting affected by the downturn in the semiconductor industry and a reshuffle of employees from the terminated 200mm FAB lines. As a result, the employment of the disabled and the aged could not increase as well. Hynix prohibits discrimination against a specific gender, academic background, or religion, pursuant to regulations stipulated in Chapter 3 of the code of conduct. Hynix presents equal opportunities for training, job rotation, and promotion, according to one's personal skills and qualities, and evaluates and rewards employees based on fair standards. In 2008, the starting salary for new employees with a bachelor's degree is around KRW 33 million, higher than the average initial salary of the manufacturing industry of KRW 31.3 million; full-time employees working on operations, maintenance, and repair (who completed military service) is around KRW 27 million; and production operators is around KRW 24 million.

+ Employee Status

Including overseas subsidiaries, as of Dec. 31st 2008, (Unit: persons)

| Category | Number of employees | | | | Average Length of Employment |
	Executives and Technical Office Workers	Full-Time Workers	Others*	Total	
Male	6,078	4,229	23	10,330	7.4
Female	1,328	9,751	48	11,127	4.4
Total	7,406	13,980	71	21,457	5.9

* Technical, professional, and non-regular employees

+ Female & Minority Employment Status by Year

Based on Employees in Korea, (Unit: persons)

| Category | Standard of Employment Rate | Yearly Employment Status & Employment Rate | | | | | |
		2006		2007		2008	
Female	-	8,126	51%	9,571	52%	9,090	51%
Aged	2.00%	12	0.10%	19	0.10%	18	0.10%
Disabled	2.00%	64	0.40%	85	0.47%	86	0.48%

+ Job Creation Ratio and Turnover Rate

Based on Employees in Korea, (Unit: %)

Category		2006	2007	2008
Employment	Job Creation Ratio	18.1	14.6	-1.3
Turnover	Turnover Rate	7.59	6.95	7.51

* Job creation ratio: (no.of employees at the end of current year– no.of employees at the end of previous year/no.of employees at the end of previous year x100.
* Turnover rate: (no. of employees who left the company a year/(average no. of employees + no. of employees who left the company a year) x100.

+ Employee Status

(based on Dec. 31st 2008)

Male

Executives and technical office workers	58.8%
Full-time workers	41.0%
Others	0.2%

Female

Executives and technical office workers	12.0%
Full-time workers	87.6%
Others	0.4%

| Training and Self-Development | Support employee training and self-development

According to the mid to long-term roadmap aimed at fostering "top-class talents", Hynix has created a voluntary educational culture. A wide array of training systems is being operated so that employees can actively respond to environmental changes. Hynix is also drawing up and implementing voluntary learning plans for job skill improvements, which are needed for the growth and development of employees as well as for the achievement of the company's vision.

Training Hours

The total number of employees who received training in 2008 reached 61,577, a 2% increase from 2007. Training expenses per person was KRW 390 thousand.

Training Program

Hynix offers its employees five different training programs: management training, orientation training, global training, technical training and e-Learning training where individuals can freely choose the subject of their choice online. In 2008, we offered employees 1,105 sessions in 266 courses.

Customized Self-Development

Hynix analyzes individual abilities and provides core knowledge needed for the person to achieve work-related goals. Personnel can select the training course that they need and map out their own customized personal development plan.

Corporate Culture Evaluation Vitalize the organizational culture

Every year, Hynix polls employees as part of efforts to improve employee morale and engagement levels. An Employee Opinion Survey (EOS) conducted in November 2008 measured 42 items in the areas of vision/strategy, organizational structure, corporate culture and employee engagement. The overall average mark of 3.67 points was 0.34 points higher than in 2007.

+ Number of Trainees and Training Hours

Category	2006	2007	2008
Number of Trainees	42,932	60,400	61,577
Training Hours per Employee	63	72	66

+ Training Program Status

(Based on Dec. 31st 2008)

Category	No. of courses	No. of classes
Management Training	58	272
Orientation Training	5	28
Global Training	14	105
Technical Training	107	392
e-Learning Training	82	308
Total	266	1,105

+ EOS results

2008 average: 3.67 points

* 2007 average: 3.33 points

2008 —
2007 —

Vision/Strategy 3.75

Organizational Structure 3.46

Corporate Culture 3.72

Employee Engagement 3.76

* Evaluation scope: technical office workers in 2007, all employees in 2008.

| Systematic Support |

Benefits for Female Employees

Support women's health and childcare

In line with the amended Act on the Gender Equality Employment and Support for Work-Family Balance, Hynix extended the period of paternity leave from one day to three days and raised the age ceiling for children of employees using parental leave from under 1 year old to under 3 years old in June 2008. We actively promoted these measures and as a result, the number of workers taking parental leave and using holidays before and after childbirth increased 22% year-over-year. Additionally, we have introduced other measures for our female workers such as allowing pregnant employees to take time off work for antenatal screenings.

+ Benefits for Female Employees

Category	2006	2007	2008
Number of Employees on Maternity Leave	346	528	605
Number of Employees on Parental Leave	194	316	428

Retirement Pension Program

To ensure employees enjoy a comfortable level of living after retirement, we have applied for retirement insurance. By accumulating funds for retirement payment every year in accordance to the Labor Standards Act, Hynix provides retirement benefits that take into account an individual's length of employment and average salary. Employees who wish to collect their retirement benefits beforehand can receive them on an annual basis during their length of service.

+ Benefits Program

Work life balance

Category	Details
Support for Family Finances	Provides monetary contributions for congratulatory or consolatory occasions, support for medical expenses, school expenses and partial personal pension, lends money when an employee purchases a house or is about to get married
Provide Convenience in Life	Commuting bus, cafeteria(free meal once a day), dormitories, rental apartments, clinic, dental service, physical therapy center, health care center, gym, swimming pool, fitness center and wedding hall
Supporting Leisure Life	Offers condominium, entertainment parks, theme parks, for extra convenience and cost-effective use of the facilities, tour programs for parents of employees, experiential learning activities, performances, comprehensive travel services within the company(issuing train and airplane tickets or passports)
Supporting Hobbies and Life Long Learnings	Offers various cultural study programs through cultural center, supports club activities
Counseling Support	Runs a legal counseling center and a wedding planning center

| Win-Win Labor-Management Relations |

Effort to Improve Labor-Management Relations

Improve labor-management relations

Hynix guarantees activities of labor unions and freedom of association. The Labor-Management Council of Hynix has a three-layer structure: The Labor-Management Sub-Council, the Labor-Management Council by business site, and the Central Labor-Management Council. Moreover, Hynix operates the Regular Labor-Management Council to resolve matters related to difficulties experienced by employees whenever required. We have a proud 25-year history of no labor disputes. Thanks to the strong cooperative bonds between labor and management, Hynix received the highest honor of the Presidential Award at the 2008 Labor-Management Culture Awards hosted by the Labor Ministry. Members of the Central Labor-Management Committee agreed on measures including voluntary retirement, no-pay leave, group vacation, encouraging use of annual leave, deferment or temporary halt in benefits packages, and change in interim retirement payment plan. These decisions produced savings of approximately KRW 130 billion and guaranteed job security through job-sharing.

+ Labor Union Status

(Based on Dec 31st 2008, Unit: persons)

Category	Icheon Labor Union	Cheongju Labor Union
Number of Employees that can become Labor Union Members	7,226	4,462
Number of Members	7,006	4,418
Percentage of Membership	97%	99%
Higher-Level Organization	Korean Metal Workers' Association	Korean Metal Workers' Association

Labor-Management Communication

Promote employee communication

Every quarter, Hynix holds the CEO Meeting, Management Meeting and Business Site Labor-Management Committee Meeting to promote labor-management communication while the Central Labor-Management Committee discusses common issues affecting all business sites. Every Monday, working-level talks between labor and management promptly address on-site issues and problems. Hynix operates a 'visiting' service for employees to hear their complaints and grievances, which is managed by labor-management staff. In 2008, the morning meeting called Good Morning Talk where on-site supervisors can directly present their opinions and grievances was held 16 times at our Icheon business site and 12 times at Cheongju business site.

| Safety and Health |

Industrial Safety and Health Management

The regulations of Hynix's integrated ESH(Environment, Safety, and Health) management system include the content of the safety and health management system of the International Labor Organization. The Icheon and Cheongju business sites carry out an internal inspection twice a year and an outside inspection once a year. Inspection results indicate that there are no cases of violation of the Labor Standards Act or of industrial safety and health-related laws or ordinances in 2008. The committee consists of 20 members, 10 from representatives of laborers and 10 from management. It is held once a quarter and it is also being leveraged as an arena for discussions to maintain strong ties between labor and management. In 2008, discussions were held on PSM(Process Safety Management) review, safety measures for company roads such as

installing a pedestrian walkway and paving roads, and managing anemia among female workers. All the issues mutually agreed have been fulfilled in an appropriate manner.

Efforts to Improve the Working Environment

Hynix runs various programs to create a work environment free of accidents or disease.

Work Environment

Hynix is striving to provide a healthier and more pleasant working environment for employees by biannually measuring factors that are recognized by the law as being harmful: noise, organic solvents, certain chemicals and heavy metals. In addition to measurements mandated by law, we conduct indoor environment measurements, local exhaust inspections by external reviewers, and electromagnetic measurements.

Activities to Prevent Musculoskeletal Disease

Labor and management joined hands to investigate all the processes in order to prevent musculoskeletal disorders. Supervisors in the field were trained to raise awareness on the need to prevent such disorders. Moreover, an in-house physical therapy center is being operated by advance reservation system. Physical therapy is being provided three times a week to fatigued workers to prevent musculoskeletal disorders. A stretching program is also provided, encouraging employees to stretch while they work.

+ Industrial Disaster Ratio

Category		2006	2007	2008
Number of Workers	Icheon	10,719	12,187	11,416
	Cheongju	4,688	5,488	5,472
	HNSL	-	2,730	3,765
Industrial Disaster Ratio	Icheon	0.01	0	0
	Cheongju	0	0	0
	HNSL	-	0	0
Industry's Industrial Disaster Ratio		0.197	0.176	0.169

Source: Industrial Disaster Statistics of the Ministry of Labor in 2008

+ Disease Prevention & Health Care Program in 2008

| Category	Items	Details
Disease Prevention	Health check	The goal is maintenance of good health and early detection of disease.
	Clinic	Health counseling, medical treatment, and prescriptions(in connection with a general hospital in the region).
	Managing employees who show signs of having a disease	Health counseling is provided regularly according to the disease.
Health Promotion	Operate health clinic	Physical and work stress level test.
	1830 Washing hands experience	Hand washing event to prevent diseases.
	Promoting balanced eating culture	Promote healthy eating habits.
	Walk your way to health, 'Walking day'	Walking event to promote health.
	Health experience for leading Hynix	Provide various opportunities to promote health, including smoking cessation, limiting alcohol intake, nutrition, and stress reduction.
	Exercise class	Operate classes on various exercises.
	Labor-management TFT smoking cessation fund	Smoking cessation fund run by labor-management.
	Health campaign to evaluate body fat	Provide information on weight control to prevent diseases.

Central Monitoring System Operation

Our Central Monitoring System maintains a 24-hour watch on various facilities and equipment. In the event of an accident, the incident is quickly relayed to relevant personnel and emergency measures are taken. During emergencies, an emergency headquarter office is operated to prevent and contain the fallout from ESH accidents.

+ Central Monitoring System (CMS)

Fire, Explosion, Chemical Spill

Emergency

Emergency Response

Minimize Human/Property Losses

Initial Detection

Spread News (contact supervisors)

Report Accident

Evacuate On-Site Workers

Guide Evacuation and Gather

Check Number of Workers (FAB Head, Manufacturing Team Head)

CMS (☎8000)

Monitor Fire

Monitor Leak of Chemicals

Monitor Leak of Poisonous Gases

Oversee Rescue

Check Utilities

Broadcast Emergency Situation

Regularly Monitor Risky Areas

Emergency Response Team Operation

To minimize damage from serious environmental and safety accidents which may occur on our business sites, Hynix has set up emergency response teams. The teams undergo drills to raise their initial response ability while on-site workers engage in emergency evacuation training sessions.

+ Core Mission
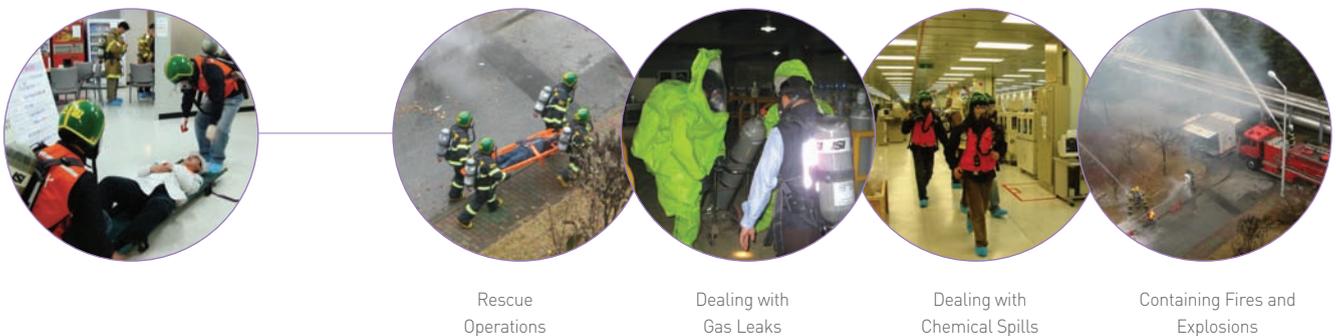
Rescue Operations

Dealing with Gas Leaks

Dealing with Chemical Spills

Containing Fires and Explosions

Partner Companies

Win-win cooperation is a good way to create greater value and grow fast.

| Promotion of Sustainability Management |

Fair Selection and Evaluation
Ensure fairness in choosing partner companies

As part of our policy for selecting business partners, we evaluate their environmental management items such as hazardous substances and dangerous goods, in addition to ESH items.

In order to prevent potential risks during transactions with partner companies, they undergo an annual relationship attraction evaluation through HiSPM system of 29 items across six areas: ethics (whether or not they have a Code of Conduct, etc.), management, technology, quality, cost, delivery and cooperation. The results of the evaluation are opened publicly by a purchasing portal system and we also operate a system which supports the unfinished parts for each item. The goal of these evaluations is to boost the competitiveness of our partners and improve their internal management system, thereby raising our own competitiveness and forming a win-win relationship.

Additionally, we have adopted a merit system that awards extra points to suppliers with favorable environmental performance. By encouraging our partners to provide eco-friendly products, we are promoting sustainable development at our business partners.

+ Win-Win Partnership

Selection of strategic partner ▶	**Key business partners**
Customized support ▶	specialize/advance **Value group cooperative firm**
Support to grow capabilities ▶	Performance management

Evaluation system

New/potential partner firms   IN ▶   Partner firms   OUT ▶   General firms

Suitable evaluation for each item

Support competitiveness of business partners | Share results based on mutual trust | Build open purchasing environment

Win-Win Partnership Program
Give support for win-win cooperation

Corporate-Bank Partnership Program   On January 19, 2009, Hynix signed the Corporate-Bank Partnership Program where the government, large corporations and commercial banks agree to work together to promote win-win partnerships. The program involves large corporations and banks specially providing capital to guarantee institutions on a 1:1 ratio. The guarantee institutions then grant 100% guarantees for small and medium-sized firms (SMEs) recommended by large corporations, enabling the SMEs to receive bank loans. As an industry leader, Hynix invested KRW 3 billion in the program. Consequently, our business partners can receive liquidity support of KRW 99 billion through the guarantee institutions.

Proprietary-Technology Commercialization Program   Hynix has been carrying out a 'Proprietary-Technology Commercialization Program' to commercialize next-generation equipment including 45nm and 22nm. The program was launched in 2007 and is slated for completion in 2011.The company completed evaluation of three cases out of eight cases in November 2007 and is currently evaluating the remaining five cases.

Performance Evaluation Support   Hynix initiated a project to support performance evaluations in March 2007 where we give certification that Korean equipment and materials makers satisfy mass production in our production lines. Having completed three rounds of the project thus far, we certified the performance of 20 items in 2007 and 14 items in 2008, out of a total of 45 items. Our certification has allowed products by partner firms to enjoy greater recognition on the global market.

▼ Hynix presents win-win certificates to outstanding suppliers (Oct. 9, 2008)

Hynix conducted two rounds of performance evaluation in September 2007 and March 2008 to review whether the equipment and materials of suppliers were suitable for mass production. Those items found to be appropriate for mass production were awarded with special certificates. This means that the products will be prioritized for purchasees from Hynix and expected to get a global recognition. The performance evaluation FAB initiative was launched by the Ministry of Knowledge Economy in March 2007. The win-win cooperative program is designed to help Korean semiconductor equipment and material suppliers expand overseas. Equipment and materials are evaluated on the production lines of device makers. Items that pass the screening receive a certificate and are prioritized for purchases.

Other Programs   In November 2006, Hynix injected KRW 2 billion in a government-bank-corporation fund that provides unsecured loans to parts and material suppliers. Partner companies were eager to understand the flow of semiconductor technology development and reflect it to the planning of parts and equipment development that is necessary in making new products. In response to their voices, hynix shared the technology roadmap twice during 2008. We predict this will further promote the win-win cooperation between large corporations and partner companies.

Win-Win Communication   Do not make any unreasonable requests to partner companies

In an effort to minimize grievances by partner firms and break down entry barriers, we operate a registration site for official partners on our HEINET[1] system. The registration process is open to everyone and we provide feedback to our partner firms on evaluation results. This proves the system is operated in a fair and transparent manner. Our cyber reporting system collected 18 complaints and recommendations related to partner firms in 2008. We took action on all of the recommendations. As one example, regarding opinions on bringing in and taking out goods from Hynix premises, we improved the process and notified the relevant team and employees about the results. The informant received a personal notification via telephone.

Local Communities

With warm hearts delivering happiness
and sharing for the people all over the world,
we open up our future filled with happiness.

| Social Contribution System |

Overview of Social Contribution Activities

Hynix has designated three core areas for social contribution programs that are pursued in communities around our three business sites in Icheon, Cheongju and Seoul. Through a diverse range of activities, our aim is to instill good memories among the most isolated members of society.

Organization for Social Contribution

A total of 240 teams participate in 61 activity organizations. Every year, workshops are held with concerned personnel to share our social contribution plans. Hynix also extends support to enable the coordinators to effectively perform their duties.


| Social Contribution Performance | Engage in social contribution activities

Hynix fully supports volunteering by employees so that we can become a better neighbor and trusted member of the communities in which we do business. We have adopted mileage and computerized systems towards this end. In 2008, a monthly average of 1,074 employees engaged in volunteering. We donated KRW 17 million to community welfare centers and neighbors in need. We issued the Hynix Good Memory card, a credit card affiliated program for social contribution activities. Through the program which allows employees to practice sharing in their everyday lives, we donated KRW 18.8 million in 2007 and KRW 30.7 million in 2008 to charitable causes.

Communication with Communities

We maintain close ties with our communities by having a single team deal with our social contribution activities and external cooperation. This enables us to derive a synergistic effect based on mutual cooperation through our close relationship.

+ Mid to Long-Term Plan for Social Contribution

A Company that Grows with Communities

▲

Beginning stage (2007-2008)	Development stage (2009-2010)	Maturity stage (2011-2012)
Company-wide social contribution activities - All employees engage in volunteering Company infrastructure - Organization, system Major social contribution activities - Memory disorder Sisterhood ties with farming communities Expansion of plant activities to protect cultural assets Diverse social contribution events - Charity bazaar, competition	External network - Ties with local communities - Social contribution committee Social contribution philosophy - Mission, vision, basic principles Overhauling internal systems - Volunteering system - Creation of a computerized system - Formulation of work rules Expansion of new programs - Long-term, specialized and creative social contribution initiatives	Strategic and organized social contribution - Strategic projects - Specialized and comprehensive volunteering Global social contribution - Revamping related activities at overseas business sites - Global contribution projects Evaluation system - Evaluation and feedback on project effectiveness and improvement measures

+ Organization for Social Contribution

CEO
• Makes final decisions

SM Committee
• Head of division or higher level
• Deliberate on key matters

Implementation Office (General affairs team)
• Consists of departments in charge of each area of activity
• Establish activity strategies by area, program planning and implementation

Activity Areas

Social contribution in local communities	Culture	Education

Hynix Beautiful Day   Hynix staff participated in a charity bazaar co-organized by a local non-profit charity organization, Beautiful Store in April 2008. All proceeds raised from Hynix Beautiful Day were doubled by the company in the form of a matching grant and donated to the Beautiful Store.

Good Memory with Farming Communities   Hynix has sisterhood ties with five farming communities: Gajwa-ri and Dorib-ri in Icheon, Pyeongdong traditional rice cake village in Cheongju, Imsil-gun Parksagol village in Cheollabukdo, and Okgye-myeon in Gangneung. We purchased local agricultural products and other goods worth KRW 10 million from each village for donation to social welfare facilities and elderly citizens living alone. We are committed to broadening our range of community activities, such as volunteering during the farming season, visiting the farming villages with families, and operating on and offline markets for regional produce.

Addressing Memory Disorder   Hynix initiated a program to promote early detection and prevention of dementia with regional public health centers and senior welfare centers. We also added memory disorder (dementia) specialists and dementia centers to the list of organizations where we offer volunteer services. In 2008, we organized four sessions where experts provided advice to senior dementia patients in the Icheon and Cheongju areas. Our staff also volunteers on a monthly basis at 14 regional dementia welfare centers.

Good Memory Volunteering   Hynix is committed to delivering good memories to our communities by working with NGOs and regional groups. During the year-end season, all our employees rally to collect funds and offer their services to donate rice and deliver briquettes to those in need.

Healthcare for Senior Welfare Centers and Facilities for Handicapped   We offered a helping hand to two senior welfare centers and four facilities for the handicapped in our communities. The high cost of healthcare frequently poses a problem for the two groups. With the cooperation of a local clinic, we provided ultrasounds and electrocardiograms as part of our attempt to foster deep and meaningful connections with community residents.

Unified Labor-Management Culture Committee Activities
Hynix's Unified Labor-Management Culture Committee has been spearheading a monthly collection drive using the last three digits of employee wages (under KRW 1,000). Funds collected through the voluntary campaign are regularly delivered to Icheon social welfare facilities, single senior citizens and households which are headed by children. Hynix also created a corporate mileage program in affiliation with the popular discount store chain, E-mart. Under the program, 0.5% of all purchases made at E-mart Icheon are donated to child-headed households within the Icheon jurisdiction area.

Recognizing that the economic crisis is felt most acutely by single senior citizens and low-income families, Hynix donated 10,000 briquettes to help them through the winter season. The delivery of the briquettes was made on December 19, 2008.

▼ Nobel Dream Award

The Nobel Dream Award was introduced in 1996 with the aim of having teenagers in Icheon and Cheongju where the company's business sites are located develop a strong will and desire for the Nobel Prize and grow into key experts that will lead the nation in the future. So far, a total of 849 people have received the Nobel Dream Award and KRW 500 million was rewarded to these people. Despite the challenges brought on by the global economic slowdown, Hynix kept its promise and selected an identical number of winners as last year. The 14th Nobel Dream Prize was given to 87 students. Thirty of the exemplary students hailed from Icheon (14 middle school students, 11 high school students, 5 industry-consigned college students) and 57 from Cheongju (29 middle school students, 27 high school students and 1 industry-consigned college student). Company representatives attended the graduation ceremonies of each school, starting with Bubal Middle School in Icheon on January 14, to personally deliver the scholarships to the students. The total sum of scholarships donated under the Nobel Dream program came to KRW 56.9 million.

+ Social Contribution Activities in 2008

Category	2007		2008	
	Target	Result	Target	Result
Hours of participating in social contribution activities	22,500	22,461	48,000	41,376
Monthly volunteer hours per employee	0.26	0.28	0.25	0.20
Monthly volunteer hours per participant	4	4	4	3.9
Number of participants	5,000	5,494	12,000	10,487
Rate of participation (%)	6	6.56	6	4.94

*Performance of the year 2007 was reflected from August.

03

ENVIRONMENTAL
PERFORMANCE

Hynix is taking a leading role in preserving the global environment by engaging in various improvement activities such as responding to climate change, developing eco-friendly products, managing wastes, and many other activities.

Responding to Climate Change
Energy Efficiency and Resource Conservation
Efforts for Eco-Friendly Products
Minimizing Environmental Impact
Ecosystem Preservation

Greenhouse Gas Emissions in Domestic Business Site

Hynix established Greenhouse Gas Inventory in 2008 to analyze the greenhouse gas emissions and potential reduction levels. We received third party verification to enhance credibility of the inventory, and obtained a statement validating our greenhouse gas inventory data for the period of 2005-2007.

2008 **3,580**

Thousand ton CO_2

2007

3,625

2006

2,825

Environmental Performance

Certified ESH Management System

Hynix acquired ISO 14001[1], OHSAS 18001[2], and KOSHA 18001[3] program certification for our ESH management system and is striving to maximize ESH management by implementing effective programs. To control the environmental impact of our operations and ESH factors at worksites, we adopted an ISO 14001/OHSAS 18001-based system for the entire company. We also refurbished our management system for more effective management of ESH activities. In 2008, there was an OHSAS 18001 recertification audit that met the 2007 standard, to re-evaluate the validity and efficiency of our ESH management system. Additionally, all of us at Hynix are committed to reducing ESH impact during the production process by pursuing sustainable improvement and continued development of our ESH management system. Not only are we strictly complying with legal ESH requirements, but we are constantly striving to reduce ESH impact from our activities in R&D, purchasing, storage, production, delivery and sales.

Activities of Environmental Management Validation Committee

Hynix operates an Environmental Management Validation Committee comprised of members from NGOs and academia. The committee was established to disclose our environmental management activities to environmental groups – a first for a Korean company.

Through six rounds of validation activities and two CEO advisory meetings, the Committee ensured implementation of environmental management and conveyed our commitment to external stakeholders.

* You can refer to the websites of Hynix(www.hynix.co.kr) and Korean Federation For Environmental Movement(www.kfem.or.kr) from May 2009 for Activity Report of Environmental Management Validation Committee.
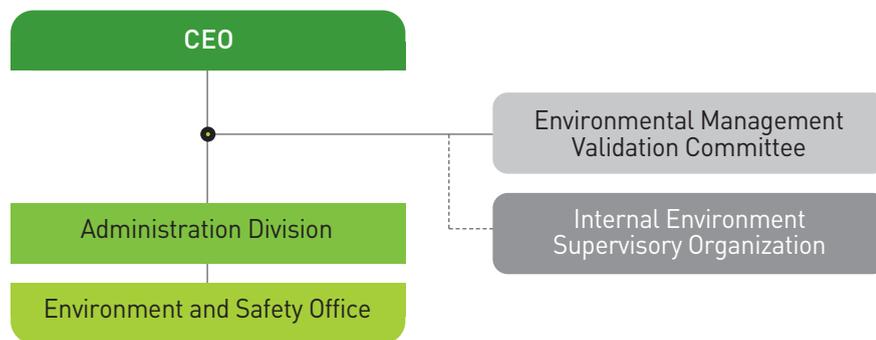
(1) **ISO14001**_ ISO's (International Organization for Standardization) international environmental standards on EMS(Environmental Management System)

(2) **OHSAS18001 (Occupational Health & Safety Assessment Series)**_ These refer to standards on the occupational health and safety management system. It is a system that manages and prevents the danger of accidents and disasters in the field

(3) **KOSHA18001 (Korea Occupational Safety & Health Agency)**_ A system involved with evaluating and certifying the management system of a business site according to certification standards established by the Korea Occupational Safety & Health Agency to establish a voluntary safety and health management system at the business site.

Organization Chart

- CEO
  - Environmental Management Validation Committee
  - Internal Environment Supervisory Organization
  - Administration Division
  - Environment and Safety Office

+ Verification Activities

	Atmosphere related verification
Feb. 2008	ESH management system
	Water resource management
	Life cycle assessment (LCA)
Mar. 2008	Communication with stakeholders
	Sustainability report

+ CEO Advisory Meeting

Mar. 2008	CEO Advisory Meeting
Nov. 2008	

+ Other Activities

May. 2008	Discussed record of activities
Jun. 2008	Surveyed discharge points of Icheon business site
Aug. 2008	Air quality measured by Daejeon Citizens Institute for Environmental Studies
Oct. 2008	Validation committee general meeting operated
Oct. 2008	Regular committee meeting
Nov. 2008	Assurance activities related to waste

Responding
to Climate Change

Hynix contributes to the sustainable development of humankind by reducing greenhouse gas emission.

| Reduction of Greenhouse Gas Emissions |

Greenhouse Gas Inventory

Manage greenhouse gases

Hynix set up a greenhouse gas inventory[1] in 2008 to analyze our greenhouse gas emissions and potential reduction levels. The inventory is a data system that accurately tracks greenhouse gas generated through electricity, PFC[2] and LNG[3] use. We received third party verification to enhance credibility of the inventory and obtained a statement validating our greenhouse gas inventory data for the period of 2005~2007.

+ Amount of Greenhouse Gas Discharge in Domestic Business Sites

(Unit: thousand ton)

Year	Amount
2008	3,580
2007	3,625
2006	2,825
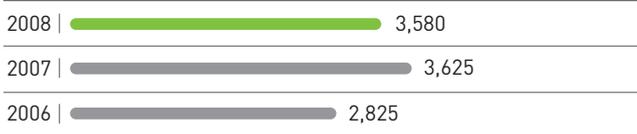
*Increase in greenhouse gas emission was due to the increased production.

▼ Carbon Disclosure Project (CDP)

Launched in 2003, CDP rates the world's 500 biggest publicly traded companies and Korea's top 50 companies in terms of market capitalization on their plans to reduce greenhouse gas emissions, plans for annual reduction, previous year emissions and company response to climate change.

• Greenhouse Gas Inventory Verification Statement

External Recognition

Policies to counter climate change

Carbon Disclosure Project 'Bingha Award'   In line with the changing business environment, a growing number of global companies are participating in the Carbon Disclosure Project to reduce the economic burden caused by climate change. Hynix has been a signatory since 2006. In October 2008, we were recognized as a company that achieved the most improved performance and received the 'Bingha Award' from CDP Korea for not only reducing carbon emissions, but also for improving the management system.

We have steadily attempted to reduce our carbon footprint by operating a PFC(perfluorocarbon) reduction task force team and building a greenhouse gas management system in response to Kyoto Protocol. In addition to treating PFC and finding alternatives to PFC-based chamber cleaning, we have pursued a strategy of fusing such efforts with the Clean Development Mechanism (CDM) project.

+ PFCs Level and Reduction Roadmap

MMTCE[4]

Actual

Year	MMTCE
2005	0.44
2006	0.51
2007	0.76
2008	0.54

Roadmap

Year	MMTCE
2009	0.28
2010	0.22
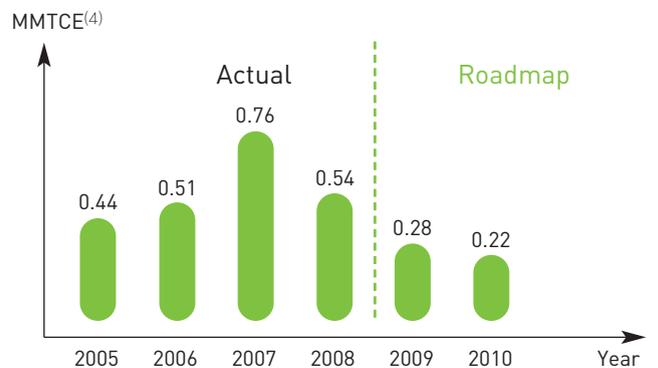
Energy Efficiency and Resource Conservation

Hynix strives to enhance energy efficiency and save resources through their entire processes including production and transportation.

Improving Energy and Raw Material Efficiency in Manufacturing Process

Save resources and enhance energy efficiency
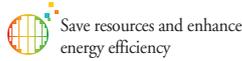
LNG, which is the major direct energy source the company consumes, is usually being used for air pollution prevention facilities like scrubbers[1]. LNG usage increased in 2008 relative to 2007 as the company switched from purchasing steam supply from an external party to producing it internally, which resulted in a dramatic increase in boiler operations. Electricity and steam, indirect energy sources which are purchased from external providers, are mainly used in the manufacturing process. Differences arose regarding direct/indirect energy consumption volume and unit-based consumption volume as greenhouse gas emission boundaries that were originally guided by internal regulations were amended to follow international ISO 14064[2] standards.

+ Usage of Direct Energy – Basic Unit (Domestic business sites)

(Unit: TOE[3]/㎡)

LNG

Year	Value
2008	0.14
2007	0.05
2006	0.05
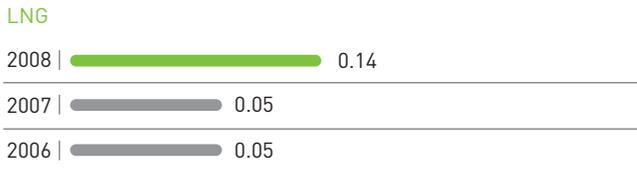
* Korea Energy Management Corp. LNG TOE coefficient: 1.055 TOE/㎦

+ Usage of Indirect Energy – Basic unit (Domestic business sites)

(Unit: TOE/㎡)

Electricity

Year	Value
2008	3.00
2007	2.73
2006	2.83

Steam

Year	Value
2008	0.45
2007	0.53
2006	0.56
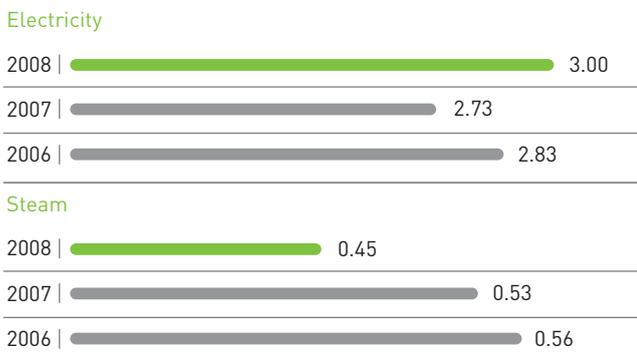
* Korea Energy Management Corp. electricity TOE coefficient: 0.215 TOE/ MWh
* Korea Energy Management Corp. steam TOE coefficient: 0.121 TOE/ton

+ Usage of Raw Materials except Water (based on Amount)

(Unit: KRW million)

Category		2006	2007	2008
FAB	Wafer	418,258	810,304	891,397
	Others	507,010	536,065	619,940
Backend[4]	Substrate	57,279	153,357	153,499
	PCB	101,500	163,709	167,913
	Others	175,319	208,818	285,249
Total		1,259,366	1,872,253	2,117,998

+ Recycling Ratio of Used Raw Materials

(Unit: %)

300mm

Year	Value
2008	1.78
2007	0.90

200mm

Year	Value
2008	2.0
2007	2.8
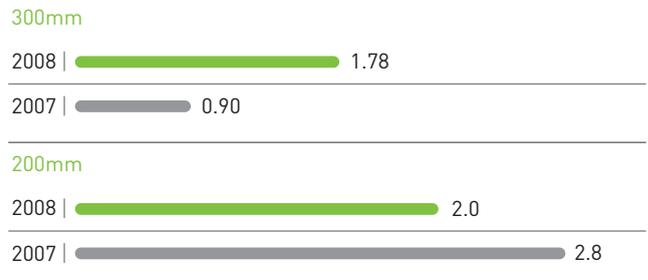
* Recycled raw material is test wafer.

In 2008, the closing of the two 200mm FABs resulted in a lower usage ratio of recycled 200mm wafers. However, the 300mm usage ratio rose from 0.9% to 1.78% due to company-wide efforts to cut costs.

Voluntary Agreement

Hynix concluded a Voluntary Agreement (VA) with the Ministry of Knowledge Economy that involves reduction in greenhouse gas emissions and energy saving during the period from December 2005 to December 2010. To this end, the company established a systematic energy reduction and investment plan, and discloses information on performance every year, such as the volume of energy reduction and improvement in efficiencies. We are monitoring our energy efficiency by managing unit-based consumption of direct and indirect energy sources. Going forward, we plan to further improve our energy efficiency by adhering to the voluntary agreement.

Energy Efficiency Improvement in Logistics Process

Hynix saved logistics expenses by converting air transportation to marine transportation for the facilities, equipment and materials shipped from Japan while reducing the volume of CO_2 emissions by switching fuels. In addition, Hynix is employing various measures to boost loading efficiency in the transportation process. After checking the size and types of freight, appropriate vehicles are chosen so that the number of vehicles used is minimized. Moreover, the timing for the issuance of freight has been adjusted to be more exact so as to reduce the time that freight vehicles need to wait and freight for shipment is gathered as much as possible. The company also makes efforts to use the shortest route when making inland shipments to domestic business sites and more direct routes for overseas shipments as well. Hynix is minimizing the environmental impact of logistics and shipment by reducing fuel use and pollutants.

+ Performance of Voluntary Agreement Implementation

Category		2006	2007	2008
Quantity of Reduction	Fuel (TOE)	4,018	53	93
	Electricity (MWH)	15,654	2,909	8,202
Amount of Reduction	Fuel (Won)	2,915	57	137
	Electricity (Won)	1,751	925	1,123
	Total (Won)	4,666	982	1,260
Volume of Carbon Reduction	Fuel (TC[5])	6,760	5	9
	Electricity (TC)	2,320	381	1,075
	Total (TC)	9,080	386	1,084

+ Ratio & Volume of Ferry Transportation

	2006	2007	2008	Remarks
Ratio	90.1%	90.8%	90.3%	Transportation volume may change according to investment.
Volume	4,648 tons	3,582 tons	1,694 tons	Target: Transport 90% of equipment by ferry

+ Total Amount of Transportation

(Unit: Ton)

2008 | ▬▬▬▬▬▬ 1,876

2007 | ▬▬▬▬▬▬▬▬▬▬ 3,945

2006 | ▬▬▬▬▬▬▬▬▬▬▬▬▬ 5,159
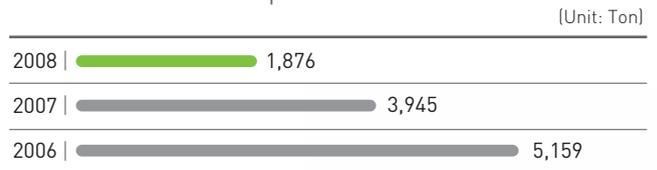
Efforts for
Eco-Friendly Products

Hynix promotes the quality of life of the human race
beyond our customers' satisfaction by developing
eco-friendly products.

## Life Cycle Assessment (LCA) Evaluate environmental impacts

Hynix carried out LCA on major DRAM and NAND Flash memory products
in 2006 and 2007. We collect information on our partner companies' raw
material extraction processes, as well as the delivery and manufacturing
of our own products to monitor environmental impact. The results are
shared among in-house stakeholders to define the key environmental
issues. Plans have been formulated to conduct company-wide LCA on
major products via a computerized system. This will not only bolster our
response to tougher environmental regulations, but it will improve our
ability to identify and seek solutions to environmental issues, and keep our
stakeholders informed. Our ultimate goal is to make our products green by
incorporating data from LCA into eco-design.

Eco-Efficiency Index

In 2008, Hynix developed the industry's first eco-efficiency index for
memory semiconductors as part of ongoing efforts to reduce the
environmental impact and increase the economic value of our products.
Eco-efficiency was first defined in 1994 by the World Business Council for
Sustainable Development (WBCSD) as a management philosophy that
encourages business to search for environmental improvements that yield
parallel economic benefits. We developed the eco-efficiency module to
complement the memory semiconductor business and calculate the
environmental and economic values of our current and future product
groups. The purpose of the eco-efficiency index is twofold: to assess and
reinforce competitiveness of the company's products; and to demonstrate
the environmental value of our products in a transparent manner.

We are initially considering applying the index to three product groups
from our DRAM division (Main Memory, Graphics Memory and Consumer
Memory) and two product groups from NAND Flash memory division (SLC
and MLC).

+ Definition and Application

"Creating more value with less impact"
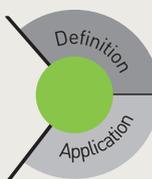
$$Eco\text{-}efficiency = \frac{Product \& service\ value\ \blacktriangle}{Environmental\ impact\ \blacktriangledown} \quad Factor = \frac{EE\ (comparison\ year)}{EE\ (base\ year)}$$

Application
- Use to measure product's environmental/economical performance
  ▶ Promote 'greening' of source control, products and processes

External
- Use to demonstrate environmental value
  ▶ Enhance environmentally-friendly image of company

* Minimize the environmental impact of products and services while concurrently
promoting economic value

+ Index Composition

▲ Higher Better
▼ Lower Better

|	Structure	Significance	Considerations
Product function ▲		• Function: Initial standard of evaluation	▶ • Density • Speed • Voltage
Product cost ▼		• Cost: Reflect company cost competitiveness	▶ • Information on product cost
Material use		• M: Quantify material use	▶ • Wafer, chemicals, other
Energy use		• E: Quantify energy use	▶ • Electricity
Toxicity ▼		• T: Quantify compliance with product environmental regulations	▶ • Hynix Class Ⅰ • Hynix Class Ⅱ

* Hynix Class I: Regulation standard on eight hazardous substances including EU
RoHS and Halogen.
* Hynix Class II: Regulation standard on 21 hazardous substances in accordance
with global agreements and standards.

(1) **Mold Compound**_ Used for thermosetting resin semiconductor packaging, mold compound protects semiconductors from heat and machine damage as well as corrosion to preserve their electronic and electric properties. Consists mainly of epoxy resins

(2) **Substrate**_ Replaces conventional leadframes as a base to which additional layers or materials are applied. Used for semiconductor packaging

(3) **PCB (Printed Circuit Board)**_ Boards whereupon electronic circuits are etched. Semiconductors, resistances, condensers and other parts are mounted on the PCB to complete its circuit function

(4) **EU REACH (Registration, Evaluation and Authorization of Chemicals)**_ Deals with the registration, evaluation, authorization and restriction of chemical substances according to their production, import volume and toxicity. Applies to all chemicals manufactured or imported into the EU at 1 ton per year or more

Halogen-Free Products

Reduce hazardous chemical substances

The use of halogens such as bromine and chlorine in products is regulated around the world as they can generate toxic gases such as dioxin and difuran during combustion.
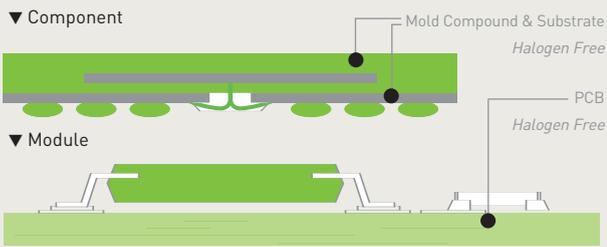
▼ Component

Mold Compound & Substrate
Halogen Free

PCB
Halogen Free

▼ Module

- Halogen Free (Br $<$ 900ppm, Cl $<$ 900ppm, Br+Cl $<$ 1,500ppm)

▼ Halogen Free + RoHS compliance Logo

ECO RoHS Compliance Halogen Free

Since 2008, we have been manufacturing halogen-free products by removing the harmful elements used in mold compounds[1], substrates[2] and PCB[3]. The products and their packaging are clearly labeled as halogen-free for customer convenience.

Environmental Packaging

In 2008, the EU included cobalt dichloride, used in humidity indicator cards, on its list of 15 substances of very high concern (SVHC) regulated under the Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH)[4] directives. Hynix immediately halted use of the chemical. Our environmental considerations also extend to our packaging. We substituted a PET material for the polyvinyl chloride (PVC) that had been used to make module caps, a packaging for modules. PVC is a major cause of dioxin emissions. Additionally, we affix recycling marks for each packaging material to facilitate proper recycling and disposal.

+ Packaging Reflecting Environmental Factors

▼ Humidity Indicator   ▼ Module Cap

HUMIDITY INDICATOR
Complies with IPC/JEDEC J-STD-033B

LEVEL 2 PARTS
Bake parts if 60% is NOT yellow   60%

LEVEL 2A-5A PARTS
Bake parts if 10% is NOT yellow and 5% is green   10%

5%

Initial Use: Do not put this card card into a bag if 60% is green

▼ Recycling marks for packaging materials

❶ Recycling mark for packaging material
❷ Separate disposal mark for corrugate cardboard
❸ Separate disposal mark for PET material
❹ Separate disposal mark for Styrofoam material
❺ Separate disposal mark for other material

Minimizing Environmental Impact

Hynix takes the lead to preserve the environment through various activities including management of air quality, water quality and waste treatment.

(1) **RTO**_ Regenerative Thermal Oxidizer
(2) **VOC**_ Volatile Organic Compound
(3) **UPW(Ultra Pure Water)**_Water that features extremely low conductivity comparing to normal water
(4) **Reclaim**_ Reuse process of wastewater that has relatively good quality in the FAB

In 2008, our Icheon business site managed to achieve 106.3% of its ESH objectives while Cheongju met 61.3% of its target. At the Cheongju business site, the closure of 200mm wafer FABs and cut in production initially slowed down the ESH improvement activities, but was compensated by active cost reduction through waste recycling.

+ Quantified ESH Objectives and Results

Icheon business site (Unit: No. of cases)

Category		2006 Objectives/Result	2007 Objectives/Result	2008 Objectives/Result
Quantified ESH Objectives and Results	Reduce electricity use	7/7	7/7	12/12
	Reduce water use	3/3	6/8	8/8
	Achieve waste recycling target	19/22	35/37	58/55
	Zero accidents	30/35	54/55	62/59
	Reduce no. of employees with potential health problems	7/7	4/4	2/2
	Reduce PFCs emissions	11/11	10/10	6/6
	Reduce chemical and gas use	16/23	21/26	8/4
	Other activities to reduce ESH impact	8/8	16/18	12/12
Total		101/116	153/165	168/158

Cheongju business site (Unit: No. of cases)

Category		2006 Objectives/Result	2007 Objectives/Result	2008 Objectives/Result
Quantified ESH Objectives and Results	Reduce electricity use	3/4	2/3	99
	Reduce water use	1/2	1/2	1/3
	Achieve waste recycling target	3/3	2/3	10/13
	Zero accidents	17/19	20/24	13/20
	Reduce no. of employees with potential health problems	3/3	0/1	3/3
	Reduce chemical and gas use	3/3	2/5	6/8
	Other activities to reduce ESH impact	8/8	16/19	21/25
Total		38/42	43/57	63/75

* Number of voluntary activities by each department related to production and operation.

Environmental Investment

Hynix is steadily increasing its environmental investment to address the growing awareness of environmental issues and rising number of problems related to air pollution, water pollution and waste. The budget was put into three segments such as air and climate protection, wastewater management, and waste management to enhance the efficiency of the environmental investment. Air and climate protection investments were used to set up additional scrubbers while the budget for wastewater management was used to manage and construct wastewater treatment facilities. In addition, the company purchased a grinder and proceeded with extension work for a waste warehouse to manage all kinds of wastes.

+ Environmental Investment Trend

(Unit: KRW million)

Category		Air and Climate Protection	Waste water Management	Waste Management	Total
2006	Icheon	18,043	190	398	18,631
	Cheongju	717	831	342	1,890
2007	Icheon	20,096	2,695	131	22,922
	Cheongju	374	2,204	6	2,584
2008	Icheon	5,563	4,205	98	9,866
	Cheongju	10,294	24,621	550	35,465
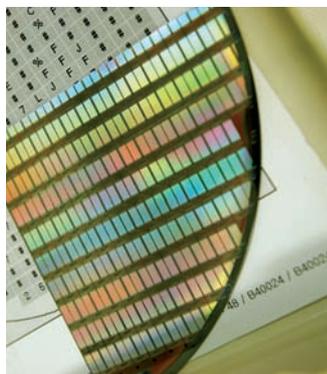
Emissions and Control of Air Pollutants

Hynix operates optimal pollutant prevention facilities to minimize emissions of various air pollutants that may be produced during the manufacturing process. Gases generated during semiconductor production are categorized according to their chemical characteristics and treated separately. This enables us to improve treatment efficiency for the air pollutants. In 2008, we reduced the SOx emission quota by 34%.

Additionally, we apply stricter internal standards for air pollutant concentration levels than required by law: at 5-7% of legal standards. In particular, NOx and Cl2 are managed within 1% of legal standards. In July 2008, we introduced a telemetering system (TMS) to monitor the concentration levels of released air pollutants in real-time. We are thus maintaining a 24-hour check on density levels of HCl, designated as a specified air noxious substance by Korea's Clean Air Conservation Act. In addition, we operate a Regenerative Thermal Oxidizer (RTO)[1] and Volatile Organic Compound (VOC)[2] prevention facilities to remove odorous substances.

Hynix entrusts an outside company with twice-monthly measurements of air pollutant concentration levels. Whenever the results surpass our internal standards (set at 20% below legal requirements), maintenance work is promptly conducted on the relevant facilities.

+ Emission of Air Pollutants

Icheon business site (Unit: g/cm³)

Category		2006	2007	2008
Emission of Air Pollutants	Sulfur Oxides(SOx)	0.116	0.118	0.082
	Ammonia(NH3)	0.036	0.03	0.026
	Nitrogen Oxide(NOx)	0.019	0.012	0.017
	Fluorine(F)	0.003	0.003	0.003
	Chlorine(Cl2)	0.013	0.008	0.008

* Closure of 200mm wafer FAB decreased production volume and resulted in a slight increase in unit requirement(g/cm³) of air pollutants.

Cheongju business site (Unit: g/cm³)

Category		2006	2007	2008
Emission of Air Pollutants	Sulfur Oxides(SOx)	0.116	0.118	0.082
	Ammonia(NH3)	0.036	0.03	0.026
	Fluorine(F)	0.003	0.003	0.003

* Excludes measurements of Nitrogen Oxide and Chlorine due to characteristics of Cheongju business site.

Use and Management of Water Resources

Waste and wastewater management
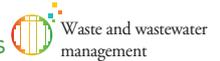
Based on system efficiency enhancement and unit requirement analysis, Hynix is endeavoring to cut down on the volume of water used and wastewater discharged during the entire process of collecting water to final wastewater treatment. In Korea, the production plants draw their necessary water resources from the Namhan River and the Daecheong-dam waterworks, which do not affect water depletion and bio-diversity of the surrounding area. Although the usage of water (coolant) increased substantially during 2008, we set up a task force team among the manufacturing, facility technology and environment safety teams, whose efforts resulted in a 25% reduction in wastewater emission per wafer. In addition, Hynix signed a memorandum of understanding (MOU) with the Korea Water Resource Corporation in May 2008. Under the MOU, the two entities will work closely together to attain stability of the water supply facilities, gain efficiency in operational management and build up a cooperative relationship to share technologies on water treatment. Going forward, Hynix plans to not only reduce the water usage volume but also increase the reuse and recycling of water to minimize wastewater emission. With the expanded capacity of Cheongju FAB II from 4Q 2007 and a new 300mm FAB(M11) in 1Q 2008, the initial unit requirement of water and wastewater from production increased temporarily. However, once operations are normalized, we expect the basic units of water and wastewater to stabilize.

The shrinking line width of semiconductors calls for stricter wastewater recycling standards. In 2008, we closed down our 200mm FAB (M9) and built a new 300mm FAB (M11) which caused a decline in our Ultra Pure Water (UPW)[3] reclaim[4] rate. However, a TFT comprising our production, facility technology and environment safety teams is running programs to improve our UPW reclaim rate.

+ Water Resource Management

(Unit: ㎥/wafer)

Volume of Water Used _ Water Use per Wafer

Year	Value
2008	7.4
2007	6.5
2006	6.3

Quantity of Wastewater Generated _ Wastewater Generated per Wafer

| Year	Value
2008	5.6
2007	5.3
2006	5.1
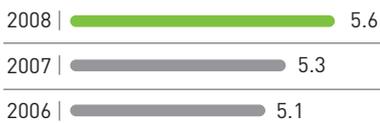
* Wafer Output

+ Reuse and Recycling of Water Resource

Icheon/Cheongju business site

Volume of reuse and recycle/Volume of water use x 100

Year	Value
2008	21%
2007	24%
2006	28%

+ Volume of Wastewater

Icheon/Cheongju business site (Unit: ㎥)

Year	Value
2008	17,812,756
2007	17,355,889
2006	13,646,776
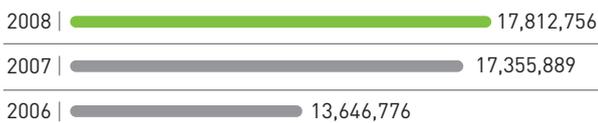
Hynix categorizes and manages emission sources and operates optimal wastewater treatment facilities. We operate TMAH[1] treatment facilities at both our Cheongju (since 2006) and Icheon (since June, 2008) business site to address the toxicity of pollutant sources and boost treatment of organic matters. We are also closely monitoring emission sources through a water quality TMS. Our plan is to extend operation of our analysis room into the night to maintain constant watch over pollutant sources and water quality at treatment facilities. We are fully committed to doing our part as an environmentally responsible company that contributes to preserving the ecosystems near rivers.

Our Icheon business site is located in a clean area, pursuant to laws and regulations on water quality and water ecosystem preservation. Due to its location in the No.2 zone in the Special Measure Area of Paldang Lake, it is subject to even stricter emission standards. As for our Cheongju plant which is located in a 'special benefits zone,' we are striving to reduce pollutants at the source and minimize discharge levels.

All of our business sites enforce internal standards which are tougher than legal requirements. Our standards for water pollution are approximately 30-80% of legal levels. By managing pollutants from the first stage of production, we satisfied our in-house standards and lowered the levels of emitted water pollutants in 2008.

## + Water Pollutants Management
(Yearly Wastewater Emission Concentration)

(Unit: ppm)

● T-N ● COD ● F

Icheon business site

Year	T-N	COD	F
2008	15.0	4.0	1.1
2007	19.0	7.0	1.0
2006	19.0	5.0	0.8

Cheongju business site

Year	T-N	COD	F
2008	35.0	4.0	6.0
2007	36.0	4.0	5.0
2006	26.0	4.0	5.0
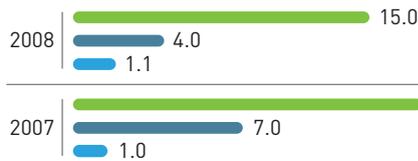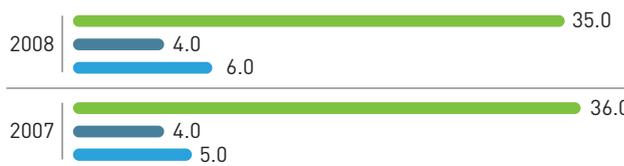
* T-N: Total Nitrogen
* COD: Chemical Oxygen Demand
* F: Fluorine

Ecosystem Preservation

Hynix strengthens activities to analyze ecological toxicity and preserves the ecosystem of local communities.

Management and Reuse of Waste
Waste and wastewater management

Hynix categorizes wastes into general waste and designated waste. Nine kinds of general waste including waste plastics, absorbents and woods and eight kinds of designated waste including waste acids, organic solvents and alkali are discharged. Wastes in the company are all reused by a professional treatment company except for a small amount of waste absorbents and etc. Waste recycling level in 2008 is 91%, a 6% point increase compared to 2007. In addition, gains obtained by waste disposal reached KRW 45.6 billion, a 342% increase compared to the previous year. Wastes that are not recycled are all incinerated and there is no disuse item reclaimed directly.

Stringent internal controls are in place for waste generated at our business sites. To minimize the quantity of produced waste in addition to promoting their recycling and reuse, we are carrying out various programs that include greater enforcement of separating items for incineration, recycling sulphuric acid and uncovering new items for recycling. We also operate a system to prevent environmental accidents and alleviate the workload involved in transporting waste from the source to storage facilities by utilizing the knowhow of experts and specialized vehicles.

+ Waste Recycling Level (Waste recycled/total waste x 100)

Icheon/Cheongju business site (Unit: %)

Category	2006	2007	2008
General Wastes	81	85	95
Designated Waste	84	83	84
Total Waste	81	85	91

+ Waste Generated

Icheon business site (Unit: ton)

Category		2006	2007	2008
Waste Volume	General Wastes	54,810	37,684	26,191
	Designated Waste	8,331	15,962	17,613
Total		63,141	53,646	43,804

Cheongju business site (Unit: ton)

Category		2006	2007	2008
Waste Volume	General Wastes	11,770	13,435	12,774
	Designated Waste	4,746	6,825	7,544
Total		16,516	20,260	20,318

There are no natural ecosystem areas with a high value of biological diversity around our business sites. However, we monitor water quality in nearby rivers and conduct cleaning activities in Jukdang Stream, Bokha Stream, and other stream areas. A total of 214 people participated 10 times at volunteer activities in 2008. Starting in 2009, we plan to conduct quarterly ecotoxicity tests and participate in clean-up activities of mountains and rivers in the vicinity.

Ecotoxicity Tests

In preparation for the "effluents standards on ecotoxicity" which are scheduled to take effect in 2011, Hynix has been conducting ecotoxicity tests at our Icheon(14 times) and Cheongju business sites(10 times) every quarter since the second half of 2007.

Rather than rely on the previous chemical analysis, Hynix is employing a more advanced method of studying wastewater's level of toxicity to a water flea and its impact on the surrounding ecosystem. The water quality of the discharged water from the Icheon and Cheongju business sites shows stable water quality (regulations require below 1TU[2] for designated clean zones and 2TU for other regions). Hynix will endeavor to protect nearby ecosystems by operating an eco-toxicity countermeasure system and step up efforts to preserve water quality.

Number of employees (as of the end of 2008)

3,765

HNSL (Hynix & Numonyx Semiconductor Ltd.)

In order to become the best foreign capital company in Wuxi, the most respected company in China, and the beautiful entity to be remembered in the heart of Chinese people for more than 100 years, HNSL is fulfilling a variety of social contribution programs that are developed by its own. That is the way the company implements both responsibility and duties.

USD **1.7**billion
(Sales in 2008)

Chinese Subsidiary
(HYNIX-NUMONYX SEMICONDUCTOR LTD.)

Overview of HNSL

Key Issues for Sustainability Management

Ethics Management

Employees

Local Communities

HNSL Subsidiary

| Overview of HNSL |

HNSL commenced production of 300mm wafers in August 2006, following the 200mm wafer production in April of the same year. As of December 2008, the total paid-in capital was USD 1.66 billion, of which Hynix invested USD 1.2 billion (72.29% stake), HSMC(Hynix's subsidiary in Wuxi) USD 160 million(9.64%) and Numonyx[1] USD 300 million (18.07% stake). HNSL is classified as a foreign invested enterprise in China.

+ Corporate Profile

Number of employees	3,765
Address	Lot K7, Wuxi Export Processing Zone, Wuxi New District, Wuxi, Jiangsu Province, China
2008 Sales	USD 1.7 billion

+History

11/2004	Hynix enters into a joint-venture agreement with STMicroelectronics
4/2005	Business license obtained, Ground-breaking ceremony
4/2006	Commenced production of 200mm wafers
8/2006	Commenced production of 300mm wafers
10/2006	Ribbon-cutting ceremony
6/2007	Capacity expansion of 300mm wafer FAB approved by National Development and Reform Commission(NDRC) and State Council
12/2007	USD 750 million syndicated loan agreement signed
12/2008	Ministry of Commerce approves the transfer of STMicro's equity ownership to Numonyx
3/2008	Company name changed to HNSL (Hynix-Numonyx Semiconductor Ltd.)
11/2008	Ministry of Commerce approves 3rd phase of development

| Key Issues for Sustainability Management |

In order to prioritize sustainability management issues, HNSL identified nine major issues through 'IPS Materiality Test Model™' and has classified them into the economic, social, and environmental categories.

General Sustainability Management
· Establishing sustainability management implementation system

Employee
· Training, education and self-development of employees

Partner Company
· Eradicating irrational demand for partner companies
· Supporting win-win cooperation relations

Local Community
· Social contribution implementation system
· Strengthening local community recognition

Environment
· Safety and health
· Reducing hazardous chemical substances
· Managing greenhouse gas

External concern: High / Medium / Low
Internal concern: Low / Medium / High

HNSL Subsidiary

| Ethics Management |

Ethical Performance

Upon establishment, HNSL organized a team dedicated to ethics management (Internal audit & Consulting part). This team is working to establish an ethics management system and building an ethical corporate culture.

Ethics Training   Since April 2006, HNSL has provided courses on ethics management to over 300 Chinese engineers and administrative employees to enhance their ethical awareness. The company also provides ethics education along with technical and security training to all new recruits. Over 1,050 employees received ethics training in 2008 (over 1,200 in year 2006 and 1,100 in year 2007).

Expanding Awareness on Ethics Management   Six video programs have been translated into Chinese and distributed regularly to HNSL's employees via the intranet, while ethics management is being promoted through the "Weekly News of Ethics." In addition, the "Ethics White Paper" issued by the Hynix headquarters has been translated into Chinese and distributed to HNSL's employees as well as to partner companies. Two presentations were given in 2007 for firms having business transactions with HNSL to explain the company's ethics management principles and to encourage participation in ethics management. The presentations were attended by more than 250 workers from 170 companies.

Gift Return Center   Leading up to the Lunar New Year's Day and the Mid-Autumn Festival in 2007 and 2008, memos were sent out to HNSL staff and partner companies encouraging them to neither offer nor receive gifts. The company also operates a gift return center through which received gifts are sent back to the sender. If gifts cannot be returned, they are donated to the underprivileged via charity groups or the company's social contribution initiatives.

Ethics Leaders   Twenty-nine local workers, representing each business unit, have been selected as ethics leaders. These individuals meet once a month and play a vital role in shaping and disseminating ethics management policy. They contribute to promoting ethical management practices throughout the organization.

Collecting Opinions through Groupware   HNSL has promoted ethics management policies on over sixty occasions by issuing internal memorandum over the groupware network. Opinions of staff are constantly heard and reflected in matters such as compliance, resource conservation, reducing costs, e-etiquette, environment protection, anti-smoking campaigns, and bribery prevention.

| Employees |

HNSL is recruiting more local talent to achieve localization. As of the end of December 2008, local workers accounted for 83% of the total workforce and the company plans to gradually increase the ratio to more than 90%.

### Human Resources Development Policy

HNSL implemented a human resource development program to attain a globally competitive production site and to enhance the capabilities of their employees after recruitment. Through such programs, the company nurtures people well-trained in the semiconductor manufacturing process and fosters their leadership skills. In particular, the Future Leader program was introduced in 2007 for employees who demonstrate strong potential. In 2008, the number of employees in this program increased from 198 to 246. HNSL creates individual development plans to nurture next generation leaders and global talent in accordance with their HR roadmap. The company will encourage all personnel to participate in HR development programs as a matter of policy starting in 2009.

In 2008, the number of workers who received training surged by 87% to 14,534 compared to 7,783 in 2007. Training costs increased from RMB 2.21 million to RMB 3.20 million.

Human Resources Development Programs

HNSL In-House University   To promote learning among employees, HNSL has formed an alliance with the Nanjing University of Aeronautics and Astronautics, an educational institution in Wuxi in 2009. Together, they are providing courses for 'machinery processing and automation' and 'electronic information processing. A total of 104 employees are expected to attend these courses.

+ 2008 Key In-House Programs

Course Name	Number of Classes	Number of Personnel
Orientation for New Recruits	34	1,826
Management/ Job Skills	105	3,589
Leadership	76	1,623
Quality/Value	34	2,296
Outside Training	27	81
Language/Others	140	5,119

+ GWP Activities

Encourage Club Activities

• Hold club events based on selected themes
• External and internal events and concerts

- Hands-on learning more then twice a month
- Provide support for setting up clubs
- Hold events based on themes more than once a quarter

Corporate Culture Campaign

• Cultural image campaign
• Adopt and disseminate core values

- Nine times anti-smoking and conservation related campaigns
- Present core values to 1,700 participating employees

GWP

Friendly Workplace Management

• Happy events at work sites
• Company-wide GWP events

- Friendly workplace management by the "angel team",
  20 times in 2008
- Average of 300 employees participating in a single event

Family Program

• Develop Program for Chinese and Korean Families

- For families of Korean headquarters employees: 3 times in 2007
  with 700 participants
- For families of locally hired employees: Invited families of
  outstanding employees, 280 participants in 2008

* GWP: Great Work Place

HNSL Subsidiary

| Local Communities |

Contribution to Local Communities

Sustainability Management Issues of HNSL and Local Communities As one of the 15 economic centers of China, Wuxi has been an important contributor to China's rapid economic development, ranking 10th in GDP, 50th in city competitiveness, and 40th in investment climate among Chinese cities. As an early adopter of an open economy, Wuxi is one of the cities with the most active foreign investment. The city's biggest social and environmental concern has to do with the water pollution of Lake Tai, the third largest freshwater lake in China. In May 2007, the lake, which is also a main source of drinking water for Wuxi citizens, was overtaken by a major algae outbreak. Environmental protection, in particular, saving Lake Tai gained the spotlight in the local community and as a result, numerous outdated factories known to be the source of pollution were ordered to shut down.

HNSL is seeking to become Wuxi's best foreign invested enterprise, China's most respected corporation, and a company that will be cherished for over a hundred years by the Chinese people. Towards that end, the company has formulated and implemented various social contribution activities to fulfill its social responsibilities. As a result of these endeavors, the company was honored as one of the top 500 "Most Respected Companies of China" jointly selected by the All-China Federation of Industry and Commerce and the Chinese Entrepreneur Association in August 2008.

Local Community Programs Starting with environmental protection campaigns in 2007, HNSL maintained its commitment to the environment with the theme of "recycling economy" in 2008. It also developed and implemented various programs that invite the participation of local citizens and students.

+ Environmental Campaigns in Second Half of 2007

July	Inauguration of the "green brigade: volunteers and environmental protection campaign for Lake Tai
August	PR activities for environmental protection and local petition activities
October	Wuxi Bicycle Club makes full trip around Lake Tai
	Environmental marathon "Good Memory Cup" for Lake Tai
November	"Good Memory Cup" soccer tournament (environmental-themed)
December	Designation of "Hynix Road", environmental clean-up activities

+ Local Community Activities in 2008

January	Race for health jointly with Wuxi New District Administrative Commission
February	Environmental clean-up activities at "Hynix Road"
March	Building of "Environmental Protection Forest" to wish success for Beijing Olympics 2008
April	Recycling economy : Making recycled soap (Session 1)
June	Recycling economy PR : Distribution of reusable shopping bags
August	Recycling economy : Making recycled soap (Session 2)
September	Academia-industry cooperation
November	Recycling economy : Arts & craft using used coke bottles

▼ **Hynix in China:**
Sharing the tears as well as the laughter

#### Wenchuan Earthquake – Donation of RMB 1.5 million

HNSL dispatched a group of volunteers to the earthquake site in Wenchuan on May 14, 2008, two days after the disaster struck. The company also donated seven 10-ton truck equivalent amounts of drinking water. A total of RMB 1.5 million raised towards the earthquake relief consisted of voluntary contributions from staff and a donation from the company. A memorial was held to mourn the victims of the earthquake.

| Environment |

HNSL has formulated an environmental management vision, strategy and roadmap to reflect the concerns of the local community and to comply with global and Chinese environmental regulations.

+ Environmental Management Vision and Roadmap

Vision ▶	**Realize the world best Eco-Friendly company by 2012**			
	Assist Headquarters in Achieving Innovest AAA			
Objective ▶	2007 International environmental certification	2008 Eco-Friendly company in China	2009 Environmental leader in China	
Roadmap ▶	**2007**	**2008**	**2009**	**2010**
	Strengthen internal competencies by building a foundation for environmental management		Enhance the company's image by validating and evaluating environmental management activities	
	• Integrated ISO14001 & OHSAS18001 certification • Environmental trends and countermeasures in domestic and global markets – PFC, RoHS and others • Establish and operate ESH experience center • Implement clean-up activities for Lake Tai	• Certification of eco-friendly company from China • Certification of safe production company from China • Establish Eco-Friendly purchasing system	• Open ESH Technology center • Establish environmental accounting system • Obtain certification as a company with advanced hygiene from Chinese government • Obtain certification as a company with advanced fire fighting system from the Chinese government • Achieve PFCs emission reduction target	Leading Eco-Friendly Company in China

Activities to Counter Climate Change

HNSL plans to participate in greenhouse gas reduction programs led by either the Chinese government or the semiconductor industry in China. The China Semiconductor Industry Association has not finalized its greenhouse gas reduction schedule for 2010-2020. Nonetheless, HNSL has set its own pace for greenhouse gas reduction during 2010-2020 based on the level of reduction requested by CSIA (China Semiconductor Industry Association) during 2009.

+ Greenhouse Gas Emission

(Unit: thousand ton CO_2)

2006	190
2007	471
2008	480

* Increase in greenhouse gas emission was attributable to production increase.

Energy Savings

In 2008, HNSL implemented conservation activities for energy sources such as electric power, natural gas and steam. To lower the usage of electric power, the company took measures to save power on lighting, and turned off partial transformers and limited use of elevators. The result was a reduction of 8,049,700 Kwh. By optimizing the temperature, it cut back on natural gas consumption by 10,038㎥. Also, steam usage dropped by 18,387㎥ as HNSL implemented ten reduction plans.

Performance on Rate of Water Reuse

HNSL optimized its water, wastewater and heavy water treatment systems to achieve the rate of water reuse[1] of 94% in 2008 and 95% as of March 2009. The results are part of our efforts to relieve the global shortage in water.

APPENDIX

Financial Information

| Income Statement |

Sales

Sales in 2008 decreased to KRW 6.82 trillion, down about 21%(KRW 1.82 trillion) from the KRW 8.64 trillion recorded in 2007. The main reason behind the negative growth was falling ASP(average selling price) affected by the global economic recession and delayed recovery in the memory chip market.

By segment, DRAM sales suffered a setback in spite of increase in sales volume which was fully offset by falling prices. However, the proportion of DRAM sales to total company's sales increased to 73% from the previous year's 72%. NAND Flash sales nosedived since the company stopped 200mm FAB lines. Moreover, the selling price fell significantly during the period. Although NAND flash sales decreased, MCP(Multi Chip Package) sales skyrocketed on the back of a good performance of our mobile business. As a result, the proportion of flash memory and other products showed a slight decrease to 27% in 2008 from 28% in 2007.

(Unit: KRW billion)
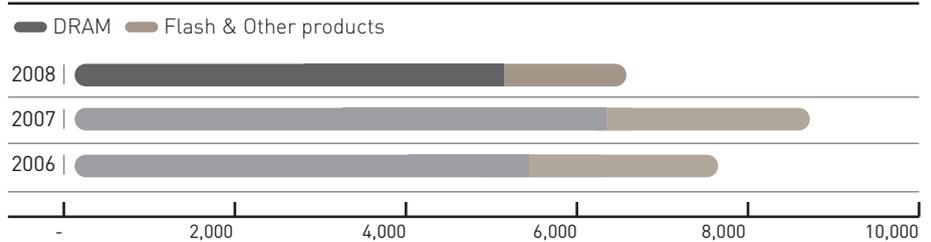
COGS

COGS(Cost of goods sold) expenses recorded KRW 7.36 trillion in 2008, up around 5%(KRW 383.4 billion) from KRW 6.98 trillion. The rise in COGS expenses was mainly attributable to an increase in inventory valuation loss influenced by the drop in selling prices.

(Unit: KRW billion)
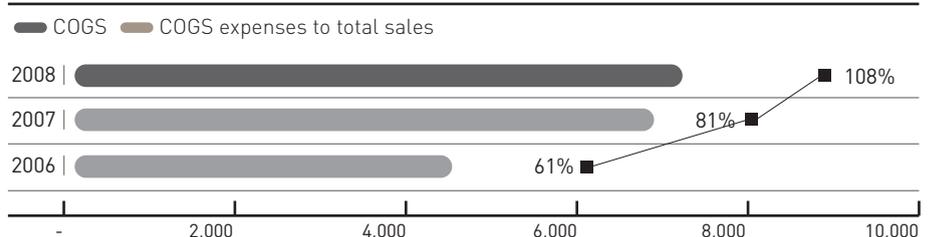
SG&A Expenses

SG&A(Selling, General and Administrative) expenses rose around 20%(KRW 224.8 billion) from KRW 1.15 trillion in 2007 to KRW 1.38 trillion in 2008. The rise was due to higher R&D expenses(KRW 176.8 billion) incurred in the course of new product and new technology development. Moreover, lawsuit costs related to operating disputes and patents rose by KRW 18.4 billion while other SG&A costs increased by KRW 29.5 billion.

(Unit: KRW billion)

● SG&A expenses ■ SG&A to total sales

2008	20%
2007	13%
2006	12%

- 500 1,000 1,500 2,000

(Unit: KRW billion)

● R&D expenses ■ R&D expenses to sales

2008	11%
2007	7%
2006	6%

- 200 400 600 800 1,000
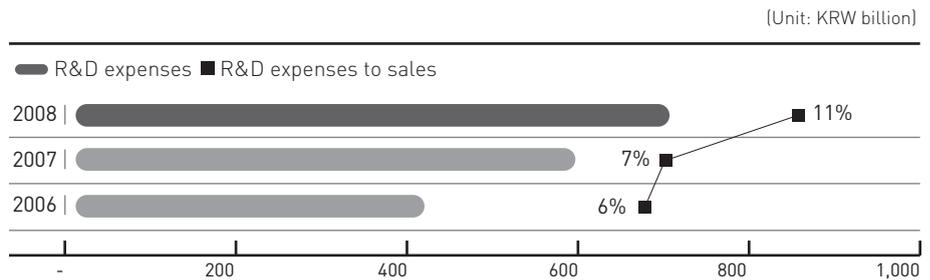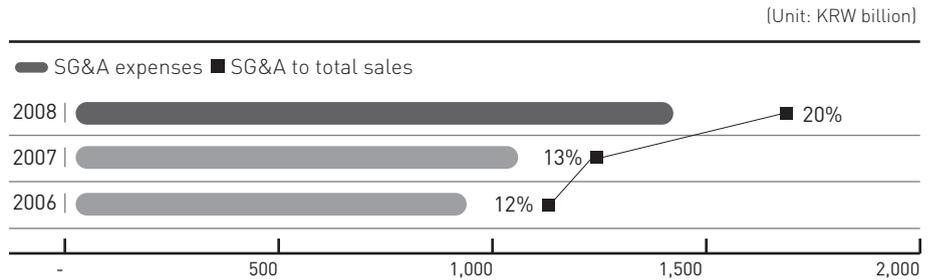
Non-Operating Income

Non-operating income for the year 2008 increased 67%(KRW 417.4 billion) to KRW 1.04 trillion from KRW 618.6 billion. The rise was due mainly to increase in foreign currency related income such as gain on foreign currency transactions and gain on foreign currency translation by KRW 353.4 billion. In addition, gain on disposal of property, plant and equipment increased by KRW 122.7 billion due to selling idle properties including machine and equipment from 200mm FAB lines.

Non-Operating Expenses

Non-operating expenses jumped 481%(KRW 3.2 trillion) to KRW 3.89 trillion in 2008 from KRW 669.7 billion. Interest expenses rose by KRW 154.1 billion while loss on foreign currency transactions and translation increased by KRW 1.52 trillion due to a weak Korean Won. Impairment losses on property, plant, and equipment caused by declining value of 200mm equipment increased by KRW 780.0 billion while other non-operating expenses including depreciation expense on assets not in use and losses on valuation of derivatives increased by KRW 764.8 billion.

(Unit: KRW billion)

● Sales ■ Operating income margin ● EBITDA

2008	28%	13%
2007	6%	33%
2006	27%	47%

- 2,000 4,000 6,000 8,000 10,000
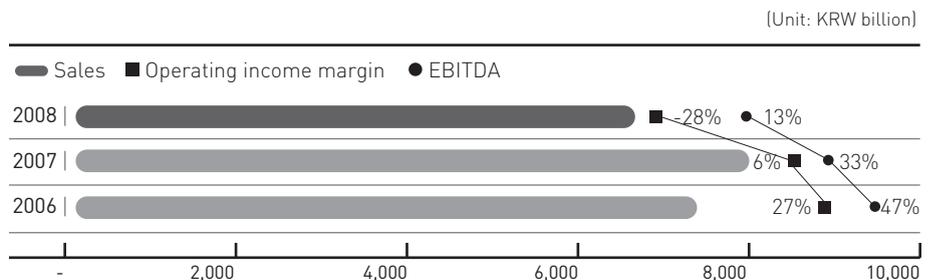
| Balance Sheets |

Assets

Total assets as of the end of 2008 decreased by KRW 1.14 trillion to KRW 16.58 trillion from KRW 17.72 trillion at year-end 2007. By asset category, current assets decreased by KRW 1.67 trillion from KRW 4.43 trillion to KRW 2.76 trillion while non-current assets increased by KRW 523.2 billion to KRW 13.82 trillion from KRW 13.29 trillion during the period.

Reasons for the decrease in current assets

1. Cash and cash equivalents decreased by KRW 1.18 trillion. This was caused by a liquidity contraction due to ballooning losses.
2. Trade receivable decreased by KRW 196.3 billion due to falling sales.
3. Deferred income tax assets declined by KRW 262.6 billion since the net operating loss carry forward was cleared during the financial year.

Reasons for the increase in non-current assets

1. Deferred income tax assets rose by KRW 299.2 billion. This was attributed to the tax effected increase in the net operating loss carry forward due to the large losses.
2. Investment assets increased by KRW 239.0 billion since 200mm FAB line equipment that is scheduled to be sold in 2009 was categorized into investment real assets account from tangible assets account.

Liabilities

Total liabilities jumped to KRW 11.05 trillion as of the end of 2008, a rise of KRW 2.65 trillion from KRW 8.40 trillion at year-end 2007. By category, current assets grew by KRW 1.18 trillion from KRW 4.06 trillion to KRW 5.24 trillion while non-current liabilities rose by KRW 1.47 trillion from KRW 4.34 trillion to KRW 5.81 trillion during the same period.

Reasons for the increase in current liabilities

1. Short-term borrowings increased by KRW 625.1 billion due to the needs of working capital needs.
2. Current portion of long-term borrowings grew by KRW 497.0 billion as more long-term borrowings came due in 2008.

Reasons for the increase in non-current liabilities

1. Depreciation of the Korean Won and additional working capital needs made the company issue bonds and increase its borrowings. Corporate bonds, convertible bonds, and long-term borrowings surged by KRW 354.2 billion, KRW 472.9 billion, and KRW 678.7 billion, respectively.

2. Long-term advances received declined by KRW 105.3 billion due to offsetting them with receivable.

(Unit: KRW billion)

Legend: ● Cash and cash equivalents ● Interest-bearing debt ■ Net interest-bearing debt to equity ratio

2008 — 127%
2007 — 33%
2006 — 18%
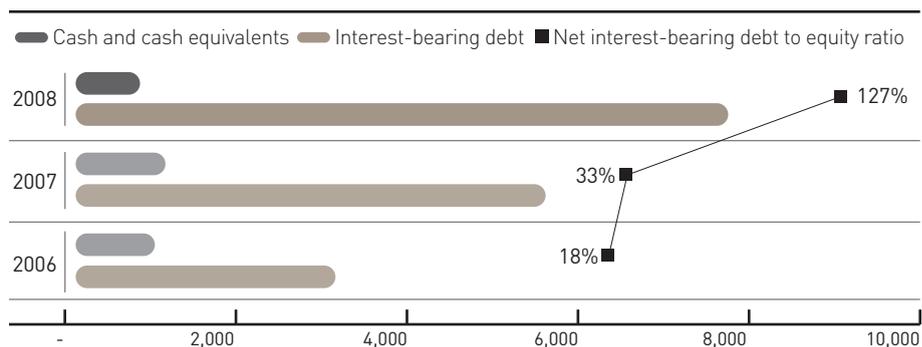
Shareholders' Equity

Shareholders' Equity dropped to KRW 5.53 trillion as of the end of 2008, down KRW 3.79 trillion from KRW 9.31 trillion at year-end 2007.

Reasons for the decrease in shareholder's equity

1. Net loss (of parent company) amounting to KRW 4.72 trillion eroded retained earnings. Share ownership by individual investors rose by KRW 166.7 billion.

2. Cumulative effect of foreign currency translation amounting to KRW 712.8 billion was reflected into gains on accumulated other comprehensive income.
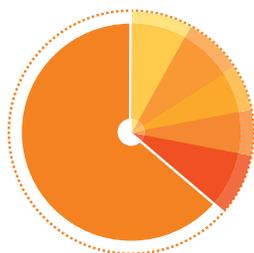
Shareholder	Shares owned	Ownership
Share Management Council	165,480,000	36.0%
Korea Exchange Bank	37,742,000	8.2%
Woori Bank	36,877,000	8.0%
Korea Development Bank	28,572,000	6.2%
Shinhan Bank	27,979,000	6.1%
Other Financial Institutions	34,310,000	7.5%
Free Float	294,112,790	64.0%
Domestic Institutions	99,613,979	21.7%
Foreign Investors	53,287,249	11.6%
Individual Investors	141,221,562	30.7%
Total	459,602,790	100.0%

+ Share Ownership

Share Management Council
- Korea Exchange Bank   8.2 %
- Woori Bank   8.0 %
- Korea Development Bank   6.2 %
- Shinhan Bank   6.1 %
- Other Financial Institutions 7.5 %

Free Float
- Other Shareholders   64.0 %

| Consolidated Balance Sheets |

As of December 31, 2008 and 2007

Hynix Semiconductor Inc. and Subsidiaries

(Korean Won in Thousands)

	2008	2007 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	₩ 526,864,162	₩ 1,702,296,793
Short-term financial instruments	192,527,546	351,080,156
Held-to-maturity securities	1,645	1,002,425
Trade accounts and notes receivable, net of allowance for doubtful accounts		
of ₩10,018,996 in 2008 (₩10,254,631 in 2007)	750,368,618	946,707,187
Other accounts receivable, net of allowance for doubtful accounts of ₩7,477,241		
in 2008 (₩10,306,971 in 2007)	62,058,745	67,736,316
Inventories	1,092,103,445	1,006,216,843
Prepaid expenses	97,802,516	47,413,546
Deferred income tax assets	8,162,820	270,729,293
Other current assets	29,565,710	31,592,776
Total current assets	2,759,455,207	4,424,775,335
Non-current assets:		
Long-term financial instruments	4,284,146	1,329,532
Available-for-sale securities	23,237,419	11,543,879
Held-to-maturity securities	1,200	1,650
Equity method investments	26,045,322	2,868,335
Long-term loans, net of allowance for doubtful accounts of ₩23,603		
in 2008 (₩8,449 in 2007)	1,762,030	358,029
Long-term accrued revenues, net of allowance for doubtful accounts of ₩1,186,849		
in 2008 (₩1,186,849 in 2007)	-	-
Long-term advance payments	172,013,951	184,420,772
Deferred income tax assets	455,605,419	156,410,217
Property, plant and equipment, net	12,362,603,290	12,368,479,692
Intangible assets, net	496,407,601	528,979,670
Investment properties	246,127,310	7,093,174
Long-term derivatives receivable	-	4,229,632
Other assets	28,677,374	27,808,915
Total non-current assets	13,816,765,062	13,293,523,497
Total assets	₩ 16,576,220,269	₩ 17,718,298,832

(Continued)

Hynix Semiconductor Inc. and Subsidiaries (Korean Won in Thousands)

	2008	2007 (Restated)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts and notes payable	₩ 718,727,692	₩ 744,541,103
Short-term borrowings	1,554,377,239	929,268,837
Other accounts and notes payable, net of discount on present value	703,999,705	1,033,905,723
Advances received	253,449,130	339,912,038
Accrued expenses	870,589,804	418,857,971
Income taxes payable	9,243,521	6,513,358
Deferred income tax liabilities	-	223,088
Derivatives payable	46,348,458	-
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	1,057,910,841	560,908,656
Other current liabilities	22,875,770	25,675,823
Total current liabilities	5,237,522,160	4,059,806,597
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	5,136,349,107	3,630,507,307
Other long-term accounts and notes payable, net of discount on present value	229,298,631	248,248,345
Long-term advances received	-	105,339,133
Severance and retirement benefits	314,825,900	316,706,676
Deferred income tax liabilities	-	7,279,250
Other long-term liabilities	131,984,972	36,082,972
Total non-current liabilities	5,812,458,610	4,344,163,683
Total liabilities	**11,049,980,770**	**8,403,970,280**
Commitments and contingencies	-	-
Stockholders' equity:		
Capital stock	2,315,654,175	2,313,783,365
Capital surplus	929,002,855	860,685,333
Capital adjustments	5,839,683	14,660,920
Accumulated other comprehensive income (loss)	483,642,719	(219,716,676)
Retained earnings	1,356,062,983	6,075,624,287
Minority interest in consolidated subsidiaries	436,037,084	269,291,323
Total stockholders' equity	**5,526,239,499**	**9,314,328,552**
Total liabilities and stockholders' equity	₩ 16,576,220,269	₩ 17,718,298,832

| Consolidated Statements of Operations |

Years Ended December 31, 2008 and 2007

Hynix Semiconductor Inc. and Subsidiaries

(Korean Won in Thousands, Except Per Share Amounts)

	2008	2007
Sales	₩ 6,817,984,885	₩ 8,643,565,453
Cost of sales	7,362,955,828	6,979,506,824
Gross profit	(544,970,943)	1,664,058,629
Selling and administrative expenses	1,375,149,242	1,150,343,824
Operating income (loss)	(1,920,120,185)	513,714,805
Other income (expenses):		
Interest income	85,256,102	80,395,852
Interest expense	(414,669,692)	(260,554,826)
Rental income	24,431,529	21,604,600
Reversal of allowance for doubtful accounts	19,381,147	1,997,578
Bad debt expenses - other	(2,276,774)	(2,008,885)
Gain (loss) on foreign currency transactions, net	(236,900,451)	37,789,062
Gain (loss) on foreign currency translation, net	(843,547,474)	50,278,891
Gain on disposal of available-for-sale securities, net	3,407,109	4,348,429
Equity in earnings of equity method investments, net	366,317	1,194,319
Gain on disposal of property, plant and equipment, net	110,578,744	995,247
Impairment loss on property, plant and equipment	(781,003,578)	(999,947)
Depreciation of idle assets	(96,735,364)	(2,392,220)
Gain on disposal of intangible assets, net	20,655,081	-
Impairment loss on investment properties	(5,631,755)	-
Gain on disposal of investment properties	6,314,430	-
Loss on early redemption of bonds	(56,606,769)	(57,943,082)
Loss on early redemption of long-term borrowings	-	(12,992,332)
Gain (loss) on valuation of derivatives	(150,178,541)	4,305,265
Miscellaneous income (loss), net	(511,061,165)	96,084,637
Others, net	(26,270,246)	(13,198,544)
	(2,854,491,350)	(51,095,956)
Income (loss) before income taxes	(4,774,611,535)	462,618,849
Provision for (benefit from) income taxes	(29,887,227)	98,705,110
Net income (loss)	(4,744,724,308)	363,913,739
Attributable to:		
Equity holders of the parent	(4,719,632,924)	346,295,480
Minority interest	(25,091,384)	17,618,259
	(4,744,724,308)	363,913,739
Earnings (loss) per share:		
Basic	(10,273Won)	754Won
Diluted	₩ (10,273Won)	₩ 754Won

ECONOMIC PERFORMANCE

Economic Performance

●

Hynix
Opinion on the 2009 Sustainability Report

Countries and companies over the world are striving to turn the current crisis into an opportunity. Only those who have prepared against a difficult situation can achieve the aim. Hynix has continued to innovate and thoroughly prepared for challenges to build a challenge to become a sustainable company 100 years from now on. The company holds almost 20 percent of the world's DRAM market based on its cutting-edge technology in the semiconductor industry of severe struggle for existence.

Hynix should exploit the current difficult situation as the foundation the future growth. To this end, I suggest that the company should do its best to secure competitiveness by focusing on the following three areas.

First of all, a business should explore new growth engines in times of difficulty. The appraisal of a company depends on how great its growth potential is in times of difficulty, when sales decrease and business environment worsens due to the unfavorable economic situation worldwide. In the industry, the survivability of a company depends on its technological prowess. In this sense, Hynix's aggressive investment in the development of next-generation products is a critical factor that makes its future brighter. It is noteworthy that the company spent 10.8 percent of its sales on R&D in 2008, much higher than 4 to 5 percent of other domestic businesses. The company, however, should do its utmost to enhance the efficiency of its investment in R&D. According to an IMD report, Korea ranks 7th in the world in terms of the amount of R&D investment and 5th in terms of R&D investment to GDP. However, the country ranks only 20th in terms of research productivity. It is thought that the future reports should cover information on R&D productivity as well as R&D investment itself.

Second, the company should strive to inspire trust in its customers and investors, particularly in times of difficulty. Consumers meticulously check to see whether a product is worth its price. They naturally want to purchase good quality products at reasonable price and check whether they were made with high-end technology rather than the exaggeration and superficial. It means that they choose a reliable company which is able to secure the continuity of a business. It appears that Hynix does what it should to cope with changes in the market situation, investing heavily to stay ahead of its competitors with regard to technology and carrying out routine checks on its internal accounting management system through transparent management, thereby showing that it is a reliable company in many respects.

Finally, the company should place importance on cost cutting. Its IFIS(Integrated Financial Information System) is operated in such a way as to monitor its cash flow and liquidity on a real-time basis and provide relevant information to the management for its prompt decision-making. I suggest that the company should make continued efforts to cut costs, reduce energy consumption and allocate resources more efficiently through restructuring and process innovation. It should establish cost-saving strategies in which all its employees participate while conducting cost utility analysis regularly.

It is thought that 2008 was a year in which Hynix made thorough preparations to gain the upper hand in the world's semiconductor market. The company needs to analyze and manage its opportunities for growth thoroughly to bring success based on such efforts. I expect that Hynix will be a sustainability leader through continued growth.

Yoon Eun-key
President, Seoul School of Integrated Sciences

SOCIAL PERFORMANCE

Social Performance

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Hynix
Opinion on the 2009 Sustainability Report

The publication of this second sustainability report after the first in 2008 is highly conducive to Hynix's sustainability management. Moreover, it is noteworthy that Hynix has continued to innovate itself on the basis of ethics management, environmental management, fair trade and social responsibility. Fairness and objectivity of the report were enhanced by reporting against the GRI G3 sustainability reporting guidelines and BEST guidelines. The attempt by Hynix to maximize customer loyalty by striving to share social values with stakeholders in the business community and by forming a consultative body to achieve optimum communication with its customers through a survey is commendable. In particular, the company's efforts to improve onsite communication are in line with its aim of strengthening competitiveness on the market where demand for the semiconductor changes dramatically. In 2008, Hynix identified the demands of its key multinational customers in terms of its corporate social responsibilities. Accordingly, the company revised its Code of Conduct and established an ethical management system to measure its ethical performance. Hynix will earn deeper trust from its customers for taking measures to bolster application of the Electronic Industry Code of Conduct. The majority of Hynix's customers are multinational companies and members of the UN Global Compact, which emphasizes the importance of corporate social responsibility. These companies stress the execution of corporate social responsibility, even that by subsidiary companies, partner firms and supply network. Thus it is recommended that Hynix should also adhere to global standards regarding human rights, labor, environment, and anti-corruption. As criticisms abound that the global economic crisis was caused by a lack of ethics on the part of certain financial enterprises, increased corporate social responsibilities will be further highlighted in the future. As such, Hynix's actions are timely and pertinent. The fact that 99.9% of Hynix's employees are permanent staff is very favorable from the perspective of guaranteeing labor rights. The prevention of discrimination, provision of equal opportunities, and maintenance of adequate remuneration will contribute to boosting business results by increasing employee satisfaction and performance.

Hynix continuously strives to promote the capabilities and health of its employees by encouraging a learning culture and offering benefits like extended maternity leave. Active communication with employees through multiple labor-management conferences and quarterly CEO meetings demonstrate the company's commitment to continuing its proud tradition of no labor disputes. Moreover, Hynix's industrial safety and health management system ensured that no industrial disasters occurred in 2008. Furthermore, an emergency response team and an central monitoring system are in place to ensure effective management of disasters and accidents. Hynix is in the process of developing an evaluation system to guarantee fairness in the selection of partner companies. The company also engages in transparent communication with partners through a support system that is based on a mutual win-win program and operation of the HEINET (Hynix e-Procurement Infra Network) system. Interaction with partner companies and the supply network is being emphasized around the world, as is cooperation to prevent corruption. Accordingly, Hynix will need to continue developing a system that monitors partner firms and provides training to ensure that they practice ethical and transparent management. Hynix is a rigorous participant in volunteer works through its 61 activity groups and 240 volunteer teams. It also operates a number of branch offices in various parts of the world as well as a factory in China. The company's overseas network translates into consistent demand for and results in social contribution activities which should continue to be reflected in sustainability reports. In tandem with the trend among global enterprises to contribute to the UN Millennium Development Goals, Hynix's utilization of a global network to discover opportunities for social contributions will prove meaningful. A company's social contribution activities can be recognized as efforts to support the Millennium Development Goals. As this can greatly enhance a company's brand image, it is advisable for all applicable companies to come up with creative ideas to support the Millennium Development Goals. Considering its business, Hynix should be able to draw up innovative support projects in the area of IT that can be sustained at a low cost. Over the mid to long term, such projects could lead to a new consumer market for the company. As a world-renowned manufacturer of semiconductors, Hynix should overcome the current global financial crisis by developing new business areas to strengthen its resilience to cyclical fluctuations. Through the faithful execution of its corporate social responsibilities in addition to innovative and creative management, and the discovery of new business opportunities such as the development of countermeasures for climate change and green growth technology, Hynix will continue to grow as a globally sustainable company.

Ju Chul-ki
Secretary-General/United Nations Global Compact Korea Network

Environmental Performance

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Hynix
Opinion on the 2009 Sustainability Report

It is highly commendable that Hynix has drawn up its second sustainability report after overcoming several difficult situations and becoming a world-class company in such a short time. To firmly establish itself as a respectable and sustainable company, annual publication of sustainability report as well as external assurance and evaluation will be desirable.

In this report, the overall management of Hynix is classified into the following three areas in order to report its actual performance in detail: economic performance, social performance, and environmental performance. In particular, Hynix's efforts to establish action strategies according to the circumstances of climate change and its related achievements are quite impressive. In the area of environmental management, Hynix has shown exemplary efforts in constructing an inventory of greenhouse gases; in improving the energy efficiency of semiconductor production and the logistics process; and in developing its own eco-efficiency index. However, concrete actions regarding the emission of PFCs and road maps for reducing them, as well as the development of green products with eco-friendly designs are lacking.

One of the most important factors affecting the future of a company is most definitely investment in research and development. In this report, investment in research and development in 2008 increased by approximately 40% compared to that in 2007, while the ratio of R&D expenditures to sales increased by 4.9% during the same period. Even though these outcomes are attributable to a reduction in sales in 2008, continuously increasing investment every year would be desirable, since absolute amount of research and development investment is more important than the ratio itself. In addition, to improve the contents of these reports, the amount of R&D expenditures for environmental management should be included in future reports.

Hynix has announced its goal of "being a respectable company that continues to grow even one hundred years from now on." Accordingly, in future reports, Hynix should include more contents on its long-term goals and strategies corresponding to the goals outlined. This is, if Hynix's goal is to maintain its existence in the long-term perspective, rather than focus on maximizing its short-term profits, concrete efforts to achieve that goal should be pursued, and the related statements should figure conspicuously in the reports. In general, a company can only survive for a long time not by mere luck but by adopting a method of management that will differentiate it from other companies. The stability of a system is assessed by its capacity for fast recovery and its resilience to external shocks. Concrete study and the related initiatives are needed if Hynix is to become a respectable and sustainable company over the several hundred years.

Lastly, there is one more suggestion to make even if it is rather a minor point. Hynix uses the jargon of 'Sustainability Management'. Even though the term 'Sustainable Management', which is commonly used by other organizations, sounds somewhat uncomfortable, using the term is the most effective way of asserting Hynix's intent with regard to 'Sustainable Management', not for simple 'Sustaining Management'. Furthermore, because this report uses the term 'Sustainability Management' to deliver Hynix's intent of pursuing management approach to sustainability, 'Sustainable Management' would be a more appropriate expression in case of Hynix.

Choe Jae-chun
Chair Professor of EcoScience Department, the Graduate School of Ewha Womans University/
Co-representative of the Climate Change Center

Key Management Principles and Declarations

Declaration of Ethics Management

- We will conduct all management activities based on ethical values and in compliance with local, national, and international rules and practices.
- We will establish a system of transparent and fair transactions, and eradicate any trace of unfairness or corruption.
- We will internalize ethics management, and strive to spread it to our partner companies.
- We will establish the Ethics Management Team, and build a practical system which we will continuously work to improve.
- For the efficient implementation of this declaration, we are making it public for all stakeholders.

Quality Policy

The paramount objective of Hynix Semiconductor, Inc. is continued pursuit of becoming the Best Semiconductor Company in the World. Exuding the spirit of "Innovating Hynix" and under the backdrop of our Four Strategies of Top Management, we provide the best service and products to our customers through continual improvement of quality and competitiveness. Achieving customer satisfaction and continued business is the ultimate aim of Hynix; employees of all functions and at every level continually adhere to and advance the following policy.

CUSTOMER FOCUS   To understand current and future customer needs, and provide our products and services to exceed customer expectations

CONTINUAL IMPROVEMENT   To continually improve our performance in R&D, Manufacturing, Quality& Reliability Assurance, Sales & Service on the basis of the optimized Quality Management System

INVOLVEMENT OF EMPLOYEES   To be fully involved with all efforts and activities of quality improvement needed to accomplish to world's best quality

MUTUALLY BENEFICIAL RELATIONSHIPS   To enhance relationships with customers, suppliers, and third parties to achieve mutual prosperity and satisfaction

Declaration of Antitrust Compliance Policy

Hynix Semiconductor Inc. in order to create opportunity to become the best semiconductor company in the world and to establish good practices for antitrust in the semiconductor industry through fair and liberalized competition in confronting the era of global competition, is hereby declaring that the Company shall voluntarily comply with antitrust laws as follows:

First, Hynix recognizes that the compliance of antitrust law is the true competitiveness of the company and shall consider it as the foremost value of corporate management.

Second, Hynix shall not conduct any unfair actions whatsoever in order to establish good practices of antitrust in all areas and regions, and shall mutually cooperate with the company's collaborating partner companies.

Third, Hynix shall continuously educate all officials and employees of the company to voluntarily company with all antitrust laws.

Fourth, Hynix appoints the compliance official to strengthen the supervisory and monitoring system for compliance of the antitrust law.

Fifth, Hynix shall put all efforts to prevent any violation of the antitrust law through operation of the antitrust compliance program. And also Hynix will do all efforts to find any violation of the company, if any, and punish the violator of the laws according to the disciplinary by laws.

Hynix ESH (Environment, Safety and Health) Policy

- Observing international agreements and national regulations on environment, safety and health and improving environmental safety and health qualitative standards continuously.
- Identifying, evaluating and improving of significant environment, safety and health aspects by conducting life cycle assessment from purchasing.
- Developing eco-friendly products and conserving resources, recycling its wastes through developing cleaner technology, running an environmental management system to be the best ESH company.
- Develops process safety technology and emergency response capability in a basis of preventive activities to promote a safe and comfortable workplace.
- Participates in environment, safety and health improvement activities with the community by recognizing social responsibility.

GRI Index,
BEST Guideline

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization	A_1	●	8-9
	1.2	Description of key impacts, risks, and opportunities.	A_2	●	31-32
Organizational Profile	2.1	Name of the organization.	A_3	●	C1, 10
	2.2	Primary brands, products, and/or services.	A_4	●	8, 36-39
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	A_5	●	10
	2.4	Location of organization's headquarters.	A_7	●	11
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	A_7	●	10, 11
	2.6	Nature of ownership and legal form.	A_8	●	24
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	A_9	●	10-11, 31
	2.8	Scale of the reporting organization.	A_10	●	10
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	B_8	●	C2
	2.10	Awards received in the reporting period.	C08	●	88
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	B_3	●	C2
	3.2	Date of most recent previous report (if any).	B_8	●	C2
	3.3	Reporting cycle (annual, biennial, etc.)	B_6	●	C2
	3.4	Contact point for questions regarding the report or its contents.	B_9	●	C2
	3.5	Process for defining report content.	B_4	●	C2, 18
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	B_1	●	C2
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	B_2	●	C2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	A_6	●	11
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	-	●	C2
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	-	●	C2, 37
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	B_5	●	C2
	3.12	Table identifying the location of the Standard Disclosures in the report.	B_10	●	82-85
	3.13	Policy and current practice with regard to seeking external assurance for the report.	B_7	●	82-87
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	GR1	●	24~25
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	GR1/GR3	●	24, Web Site
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	GR2	●	24
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	GR12	●	Web Site
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	GR7	●	25
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	GR13	●	25, Web Site
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	GR4	●	25
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	-	●	19, 81

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	GR5	●	25
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	GR6	●	15, 24-25
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	GR11	●	26
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	GR10	●	45, 81
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	A_11	●	88
	4.14	List of stakeholder groups engaged by the organization.	C_1/C_2	●	16-17
	4.15	Basis for identification and selection of stakeholders with whom to engage.	C_1	●	17
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	C_2	●	17
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	C_3	●	18, 27
	DMA	EC Disclosure on Management Approach EC		●	19
	DMA	EN Disclosure on Management Approach EN		●	19
	DMA LA	Disclosure on Management Approach LA		●	19
	DMA HR	Disclosure on Management Approach HR		●	19
	DMA SO	Disclosure on Management Approach SO		●	19
	DMA PR	Disclosure on Management Approach PR		●	19
Economic	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	EC1	●	30
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2	●	55
	EC3	Coverage of the organization's defined benefit plan obligations.	EC3	●	30, 44
	EC4	Significant financial assistance received from government.	EC5	●	32
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	EM4	●	42
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	EC4	○	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	EC4	●	42, 67
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	EC6	●	45-46, 47, 49-51, 55, 58-59
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	EC7	●	30
Environmental	EN1	Materials used by weight or volume.	EV10	●	56
	EN2	Percentage of materials used that are recycled input materials.	EV11	●	56
	EN3	Direct energy consumption by primary energy source.	EV7	●	56
	EN4	Indirect energy consumption by primary source.	EV8	●	56
	EN5	Energy saved due to conservation and efficiency improvements.	EV5	●	56
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	EV5	◐	56
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	EV5/EV25	●	56
	EN8	Total water withdrawal by source.	EV9	●	61-62
	EN9	Water sources significantly affected by withdrawal of water.	EV20	●	61
	EN10	Percentage and total volume of water recycled and reused.	EV18	●	62
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	EV22	●	63
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	EV22/EV26	●	63
	EN13	Habitats protected or restored.	EV27	○	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	EV6/EV26	●	63, 68
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	EV28	N/A	
	EN16	Total direct and indirect greenhouse gas emissions by weight.	EV12	●	55, 69
	EN17	Other relevant indirect greenhouse gas emissions by weight.	EV13	●	55, 69
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	EV4	●	55
	EN19	Emissions of ozone-depleting substances by weight.	EV14	●	85

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
	EN20	NOx, SOx, and other significant air emissions by type and weight.	EV15	●	62
	EN21	Total water discharge by quality and destination.	EV17	●	62
	EN22	Total weight of waste by type and disposal method.	EV16	●	63
	EN23	Total number and volume of significant spills.	EV21	●	85
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	EV29	N/A	
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	EV19	●	61-62
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	EV23	●	58-59
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	EV24	●	59, 63
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	EV31		85
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	EV30	●	57
	EN30	Total environmental protection expenditures and investments by type.	EV1	●	60
Social: Labor Practices and Decent Work	LA1	Total workforce by employment type, employment contract, and region.	EM1	●	46
	LA2	Total number and rate of employee turnover by age group, gender, and region.	EM5	●	46
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	EM20	●	46
	LA4	Percentage of employees covered by collective bargaining agreements.	EM12	●	48
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	EM13	●	48
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	EM14	●	49
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	EM19	●	49
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	EM18	●	49
	LA9	Health and safety topics covered in formal agreements with trade unions.	EM15	●	49
	LA10	Average hours of training per year per employee by employee category.	EM27	●	47
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	EM28	●	47
	LA12	Percentage of employees receiving regular performance and career development reviews.	EM29	●	47
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	EM2	●	46
	LA14	Ratio of basic salary of men to women by employee category.	EM3	●	46
Social: Human Rights	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	PN2	●	47
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	PN3	◑	47
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	EM30	●	22
	HR4	Total number of incidents of discrimination and actions taken.	EM7	●	42
	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	EM8	●	44
	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	EM9	●	42
	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	EM10	●	42
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	EM31	●	22
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	CO2	○	
Social: Society	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	CO2	◑	49
	SO2	Percentage and total number of business units analyzed for risks related to corruption.	CO5	◑	20-23, Web Site
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	CO5	●	20-23, Web Site
	SO4	Actions taken in response to incidents of corruption.	CO5	●	20-23, 87, Web Site
	SO5	Public policy positions and participation in public policy development and lobbying.	CO6	●	Web site
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	CO7	●	Web site

GRI Index No.		GRI Index details	B.E.S.T Guideline Index No.	Reporting level	Page
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	CS3	●	23
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	CO9	●	85
Social: Product Responsibility	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	CS4	●	58
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	CS11	●	40-41
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	CS5	●	40-41
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	CS12	●	41
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	CS9	●	40
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	CS13	●	41
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	CS14	●	41
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	CS15	N/A	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	CS12	●	41

Supplementary Explanation on Indicators Available at Other Sources and Compliance with Laws

Index No.	GRI Index details	Reporting level	Supplementary Explanation
EN19	Emissions of ozone-depleting substances by weight.	●	There is no ozone-depleting substances produced by Hynix. You can see more details in 2007 Hynix Sustainability Report.
EN23	Total number and volume of significant spills.	●	There is no case of significant spills.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	There is no case of fines or violation of regulations.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	There is no case of fines or violation of regulations.

Supplementary Explanation on "Not Reported" and "Not Available"

Index No.	GRI Index details	Reporting level	Supplementary Explanation
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	N/A	We do not report on this issue, since the disclosure does not relate to our business because we give an equal opportunity to suppliers on bidding. As the market and society where we operate take the selecting partners based on thier performancean or qualification for granted, a certain advantage for local suppliers is not allowed.
EN13	Habitats protected or restored.	N/A	We have not had significant impacts on biodiversity. Also, we do not have any factories or facilities in the protected areas.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A	We do not produce, import or export the wastes specified in Basel Convention Annex I, II, III, and VIII.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	N/A	Not specifically reported the violation case during the report period.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/A	As our customer is the organization, not a single person, we do not collect the customer's personal information.

The Third Party
Assurance Report

To the Stakeholders of Hynix:

Engaged by Hynix to review information specified in its 2009 Sustainability Report (the report), the Institute for Industrial Policy Studies (the auditor) presents the following third party assurance report. Hynix is responsible for all information and claims contained in the report including established sustainability management targets, performance management, data collection, report preparation etc.

Independence

- **Apart from offering comments during the draft process, the auditor was not involved in the preparation of any key part of the report and carried out all assurance undertakings with independence and autonomy.**
- **The auditor has no relationship with Hynix regarding any of its for-profit operations and activities.**
- **As the auditor was subject to no outside pressure or interference during the assurance process, this report represents an accurate reflection of the auditor's views.**

Objective

Our Assurance engagement is aimed at the followings:

- **To obtaining an assurance that the statements and data citied in the report are free of material misstatement or bias so that the information is reliable and adequate**
- **To assess the data collection systems used are robust**
- **To identify sustainability management issues and review the organization's reporting structure**
- **To present the auditor's views on improving reporting quality**

Criteria

The auditor assessed the report against the following guidelines:

- **The AA1000 Assurance Standard's (AA1000 AS)* three core principles of Materiality, Completeness and Responsiveness; and AA1000Assurance Standard(2003)***
- **The local BEST Guidelines (BEST Sustainability Reporting Guidelines)** for sustainability management.**
- **The Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines Version 3.0*****

Scope and Work Undertaken

The auditor reviewed (1) the Materiality, Completeness, and Responsiveness of the report (2) the application level of GRI and BEST Sustainability Reporting Guidelines through the process outlined below:

- **A review of media reports related to Hynix**
- **A review of information contained in the report as well as the underlying data collection system (validation of internal sustainability-related organizations, systems, and activities)**
- **Data sampling and analysis of materiality test findings**
- **A review of the Hynix's response system for material issues**
- **A review on stakeholder's participation process**
- **A review on whether the financial data specified under "Economic Performance" is properly derived from Hynix's audited Annual Report for 2009**
- **Interviews with managers and staff in charge of sustainability management and reporting**
- **On-site review of the head office (March 24, 2009)**

Conclusions

On the basis of the above, we provide the following conclusions. The auditor did not find the report to contain any material misstatements or bias. All material findings of the auditor are included herein, and detailed review findings and follow-up recommendations have been submitted to the management of Hynix.

Q. MATERIALITY: DOES THE REPORT COVER ECONOMIC, SOCIAL AND ENVIRONMENTAL ISSUES OF THE GREATEST IMPORTANCE TO HYNIX?

A. It is the auditor's view that the report contains information of material importance to Hynix. Hynix identified issues of great interest to its stakeholders through a six-phase materiality assessment process with balanced participation from internal and external stakeholders on the topic of company policies, direct and indirect economic impact, local laws and regulations, stakeholder engagement, industry benchmarking, and media search/reviews. We do suggest, however, that Hynix further diversify its materiality assessment methodology to reflect not only issues of high stakeholder interest but also the potential impact of the organization to each stakeholder group as well as issues that may present a risk to the organization.

Q. COMPLETENESS: HOW RELIABLE IS THE INFORMATION AND DATA STATED IN THE REPORT, AND IS THE UNDERLYING INFORMATION AND DATA COLLECTION SYSTEM COMPLETE AND ROBUST?

A. The report introduces major highlights of its regulations and policies as well as information underlying its key performance (ex. ethics code, environmental certifications) with the effect of enhancing the reliability of the report. Moreover, the auditor confirmed that Hynix has various systems in place for business ethics, integrated customer management, supplier evaluations, environmental audit, risk warning, and environmental life cycle assessment (LCA) to support real-time collection and management of data regarding business ethics, the environment as well as its customers and suppliers. However, we believe that quantitative data should be reinforced so that it is possible to confirm and compare performance data. The auditor also suggests better reporting on the underlying source and handling of data to enhance the accuracy and reliability of information.

Q. RESPONSIVENESS: HOW WELL DOES THE REPORT ADDRESS INFORMATION OF IMPORTANCE TO HYNIX STAKEHOLDERS?

A. Hynix has developed stakeholder-specific channels of communication to access stakeholder views, the details of which are outlined in the report. The report also presents the organization's directional response to issues of high stakeholder interest as well as prior outcomes. However, a more concrete account of the internal procedures and policies in place to collect and reflect stakeholder demands must be provided. Furthermore, the auditor recommends defining domain and issue-specific goals and strategies so that the report can offer detailed ideas on satisfying internal and external stakeholder requirements.

Relative to the B.E.S.T Guidelines, in view of the level of reporting rigor and intensity of information provided, the auditor finds the report to fulfill 98.5% of the reporting requirements necessary to qualify for a Level 4 Report (from among Level 1 ~ 5).

Issues for Future Consideration

As the second sustainability report by Hynix, the auditor found the report commendable in that it (1) provides for a broader reporting scope by including its local manufacturing unit in China; while implementing a (2) data management system; and (3) response system. In the interest of continued improvements, the auditor recommends the following.

- **Develop unique strategies for sustainability management that tie into business strategies**
- **Divide management performance driving activities into maintenance, innovation, and creativity and specify rates of achievement**
- **Provide more reporting on real-life case studies where various systems were applied and indicate areas for future improvement**
- **Introduce newly emerging issues and trend data for material issues by reporting period**
- **Make use of the sustainability management menu that is applied on the corporate website to   make it easier for readers to look up reported information on the home page.**

  Based upon the above review and recommendations, the auditor suggests that Hynix establish a more systematic program of sustainability management and reporting, and continue to follow up with ongoing improvements going forward.

March 30, 2009
President, The Institute for Industrial Policy Studies Yoon-Chul Lee

Membership of Associations & Awards and Recognitions

Status of subscription to internal and external industry and business associations

Region	External industry and business organizations	Type	Member status
Seoul (14)	Korea Fire Safety Association(Wondang)	Legally mandatory for membership	General member
	Korea International Trade Association		General member
	Korea Semiconductor Industry Association		Vice president
	Korea Fair Competition Federation	Management support group	General member
	The Federation of Korean Industries		General member
	Korea Invention Promotion Association		General member
	Korea Competition Law Society		General member
	Korea Association for Chief Financial Officers		General member
	Seoul Economist Club		General member
	Korean Association for Industrial Technology Security		General member
	Korea Industrial Technology Association	R&D support group	Vice president
	Korea Radioisotope Association	Production support group	General member
	Korea Listed Companies Association		General member
	Korea IR Institute	Sales support group	General member
Icheon (36)	Chamber of Commerce and Industry	Legally mandatory for membership	General member
	Korea Fire Safety Association(Icheon)		General member
	Korea Electric Power Engineers Association(Icheon)		General member
	Korea Chemicals Management Association	Production support group	General member
	Gyeonggi Environmental Technologist Federation	Management support group	General member
	Korea Association of Environmentally Friendly Companies in Gyeonggi-do and Seoul		General member
	Committee for Reduction of Chemical Substances – Metropolitan Area Sub-committee		General member
	WSTS		Vice president of Asia
	Korea Employers Federation		Director
	Ministry of Knowledge Economy		General member
	The Institute for Industrial Policy Studies Ethic Management Forum		General member
	Citizens' Coalition for Scientific Society		General member
	Korea Air Cleaning Association	Management support group	Managing director
	CIO Association of Electronics Industry		General member
	RosettaNet Korea		General member
	Korea SCM Institute		General member
	Korea CIO Forum		General member
	CIO Roundtable		General member
	JEDEC		General member
	MMCA		General member
	USB-IF		General member
	SDA		General member
	SIWEDS		General member
	Consortium of Semiconductor Advanced Research		General member
	SoC Industry Promotion Center		Conglomerate special
	IMAPS		Special treatment
	The Institute of Electronics Engineers of Korea		Special member
	Institute of Control, Robotics and Systems		Special member
	Korea Semiconductor and Display Equipment Association		Special treatment
	The Institute of Semiconductor of Korea		Special member
	EPRC9		Core member
	SATA-IO		General member
	MATRIZ		General member
	TIM Consortium		General member
	KIPM		General member
	Korean Standards Association(KSA)		General member
Cheongju (13)	Cheongju Chamber of Commerce and Industry	Legally mandatory for membership	General member
	Korea Electric Power Engineers Association(Cheongju)		General member
	Korea Fire Safety Association(Cheongju)		General member
	Korea Industry Safety Association (Chungbuk)		General member
	Korea Industry Nurse Association		General member
	Korea Environmental Preservation Association(Chungbuk)	Management support group	General member
	Chungcheong Region Eco-Friendly Business Conference		General member
	Cheongju District Public Prosecutor's Office Crime Prevention Committee	Cheongju region council	Committee member
	Cheongju District Court Civil Affairs		Vice president
	Cheongju Citizen's Coalition for Economic Justice		General member
	Chungbuk Citizens' Participatory Solidarity		General member
	Chungbuk Employers Federation		Vice president
	The Republic of Korea National Red Cross Chungbuk Branch		General member

Prizes and Rewards

Date	Prize and reward	Organization
April 21st 2008	2008 Prime Minister commendation on Science Day	Ministry of Education, Science and Technology
May 1st 2008	Tin Tower of Industrial Service Merit on Labor Day	Ministry of Labor
May 19th 2008	Still Tower of Industrial Service Merit on Invention Day	Korean Intellectual Property Office
May 29th 2008	Ministry of Knowledge Economy's Secretary commendation for 2008 Beautiful Companion Award	Ministry of Knowledge Economy
June 26th 2008	Ministry of Environment's Secretary commendation for a man of merit 2008 Eco-Friendly Company	Ministry of Environment
Oct. 29th 2008	Prime Minister commendation for The 4th Korea Semiconductor Technology Award	Ministry of Knowledge Economy
Oct. 30th 2008	The 3rd Sustainability Management Award, Private Sector Award	Ministry of Knowledge Economy
Nov. 4th 2008	The 5th Small, Medium, and Large-sized Enterprises Cooperation Awards	The Federation of Korean Industries, Korea Federation of Small and Medium Business
Nov. 13th 2008	2008 Korea Transportation Award Tin Tower of Industrial Service Merit	Ministry of Land, Transport and Maritime Affairs
Nov. 20th 2008	Presidential Award (Gold) of the 34th Korean National Quality Award – Quality sector	Korean Standards Association
Dec. 3rd 2008	2008 The 5th LOHAS Management Award	Korea Green Foundation
Dec. 10th 2008	2008 Laborer and Manager Culture Award, the highest award	Ministry of Labor
Dec. 19th 2008	Commendation for a man of merit for Industrial Technology Protection	Industrial Technology Protection Association of Korea
Dec. 22nd 2008	President commendation and Special Prize for Korea Technology Award	Maeil Business Newsletter

Reader Survey

fax **82-31-645-8033**, e-mail **sustainability@hynix.com**

Please fill in the following form to present your opinions or
suggestions on this report and send it to us via fax.
We will actively reflect the responses in making improvements to
the report and carrying out sustainability management activities.

1. Which group do you belong to?

☐ Customers ☐ Employees ☐ Shareholders ☐ Investors ☐ Partner Companies
☐ Government Agencies and Offices ☐ Citizens, Social Groups, NGOs
☐ Sustainability Management Expert ☐ Media ☐ Academia ☐ Others _____

2. What information are you particularly interested in with regard to Hynix's sustainability report?

☐ Introduction to the Company ☐ General Content on Sustainability Management
☐ Communication with Stakeholders ☐ Economic Performance
☐ Employment Status and Work Environment ☐ Win-win Cooperation with Partner Companies
☐ Social Responsibilities ☐ Environmental Management

3. What section were you most satisfied with?

☐ Introduction to Hynix ☐ Ethics Management ☐ Economic Performance ☐ Innovation and Creation Management
☐ Customer Satisfaction ☐ Employee Satisfaction ☐ Win-win Management ☐ Social Contributions ☐ Environmental Management

4. What sections need improvement?

☐ Introduction to Hynix ☐ Ethics Management ☐ Economic Performance ☐ Innovation and Creation Management
☐ Customer Satisfaction ☐ Employee Satisfaction ☐ Win-win Management ☐ Social Contributions ☐ Environmental Management

5. What is your opinion on the following?

	Highly agree	Agree	Neutral	Disagree	Highly disagree
• The terminology used was clear and easy to understand.	☐	☐	☐	☐	☐
• Sufficient and useful information was provided on important issues.	☐	☐	☐	☐	☐
• The content of the report is reliable.	☐	☐	☐	☐	☐
• The design is good and helps to clarify the content.	☐	☐	☐	☐	☐

6. Please write down your opinion of the Hynix 2009 Sustainability Report.

OUR STEP TO
BETTER TOMORROW

WE CONSTANTLY

STEP FORWARD

FOR BETTER TOMORROW.

Good memory

"GOOD Memory." our corporate slogan, is suggestive of a memory chip semiconductor. Moreover, it is our promise that we will become a leading global semiconductor company by providing good memory products, thus delivering good memories to our stakeholders such as shareholders, customers, partner companies and employees.

Good memory

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