

Hynix Semiconductor Inc. Reports the Results for the Second Quarter of FY2006

Please note that the financial results discussed herein are preliminary and speak only as of June 30, 2006. Readers should not assume that this information remains operative at a later time. In addition, this information may include forward-looking statements that involve a variety of risks and uncertainties that could cause actual results to differ materially. For further discussion of these risks and uncertainties, readers should refer to Hynix Semiconductor Inc.'s filings with the Korea Exchange. This document is neither an offer to sell nor a solicitation of an offer to sell any security of Hynix. Hynix securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Seoul, July 20, 2006 – Hynix Semiconductor Inc. ('Hynix', 'the Company', www.hynix.com) today announced the earnings results for its second quarter 2006, ended June 30, 2006. The Company recorded the consolidated (which is the consolidation of the Company and its overseas subsidiaries) revenues of 1.67 trillion won which is a 15% increase compared to the previous quarter's 1.45 trillion won, and a 31% increase from 1.27 trillion won in the same period last year.

Despite it was traditionally slow season, DRAM price held up relatively firm, primarily due to the industry-wide limited supply that was caused by the difficulties related to the technology shrink and the shift to specialty DRAMs that tend to have larger die sizes. The company's weighted average selling price for the second quarter, thus has increased by 1% with bit shipment growth of 20% sequentially. On the other hand, the company's weighted average selling price for NAND flash was down by 44% sequentially in the second quarter primarily due to the mix shift toward higher density and MLC products which yield to lower price per bit. Nevertheless, the price drop was completely offset with 84% of NAND flash bit shipment growth which was driven by the strong production bit growth based on the smooth transition to 70nm SLC and 90nm MLC technologies. As a result, the revenue contribution from DRAM has increased to 67% of total revenue in the second quarter from 63% in the previous quarter while NAND flash has declined to 33% from 37%.

The Company recorded operating profit of 387 billion won in the second quarter, an 8% increase from previous quarter's 360 billion won which resulted in the operating margin of 23% compared to previous quarter's 25%. As a result, the Company's EBITDA in the second quarter recorded 742 billion won, with EBITDA margin of 44%, which is an increase by 7% from 691 billion won in the previous quarter.

Net income for the second quarter of 2006 increased by 13% to 334 billion won from 294 billion won of the previous quarter.

As of end of the second quarter 2006, cash and short-term financial instruments increased slightly to 1.36 trillion won, which is an increase by 97 billion won from previous quarter's 1.26 trillion won. The increase in the balance of cash and short-term financial instruments represents proceeds of US\$300 million from the primary share issuance in the form of GDSs that were offered in last June. Meanwhile, debt level at the end of the quarter also increased by 69 billion won from 1.78 trillion won at the end of first quarter to 1.85 trillion won at the end of second quarter of 2006. Consequently, debt to equity ratio at

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second quarter end was improved only slightly to 25% from 27% of last quarter-end and net debt to equity ratio to 7% from 8%.

As a reference to the consolidated financial results, the revenue of the parent company alone recorded 1.58 trillion won in the second quarter of 2006, which is a 4% increase from the previous quarter's 1.51 trillion won, and a 28% increase from the 1.24 trillion won of the same period last year. Operating profit, however, was decreased by 14% sequentially to 323 billion won in the second quarter from 376 billion won in the previous quarter, recording operating margin of 20% from 25% in the previous quarter. Consequently, EBITDA also declined by 4% to 648 billion won in the second quarter from 676 billion won in the previous quarter. Net income, however, increased by 12% sequentially to 324 billion won in the second quarter from 289 billion won in the previous quarter.

FY2006 Q2 Earnings Results

Hynix Semiconductor Inc.

July 20, 2006

This material includes forward-looking statements which can be subject to certain risks and uncertainties that could cause actual results to differ materially. Review of the Q2 2006 financial results has not been finalized.

Figures in this earnings release are subject to change during the independent auditing process.

Except where otherwise stated, the financial information provided herein reflects consolidated results of our entire semiconductor operations.

Operational Results (Incl. Overseas Subs.)

<i>Unit : KRW billion</i>	2Q'06	QoQ	1Q'06	2Q'05	YoY
Revenues	1,670	15%	1,446	1,272	31%
Gross Profits	611	9%	563	450	36%
Operating Profits	387	8%	360	266	46%
EBITDA	742	8%	691	573	30%
Net Profits	334	13%	294	237	41%
<i>Profitability(%)</i>					
<i>Gross Margin</i>	37%	-2%	39%	35%	1%
<i>Operating Margin</i>	23%	-2%	25%	21%	2%
<i>EBITDA margin</i>	44%	-3%	48%	45%	-1%
<i>Net Profit Margin</i>	20%	-0%	20%	19%	1%

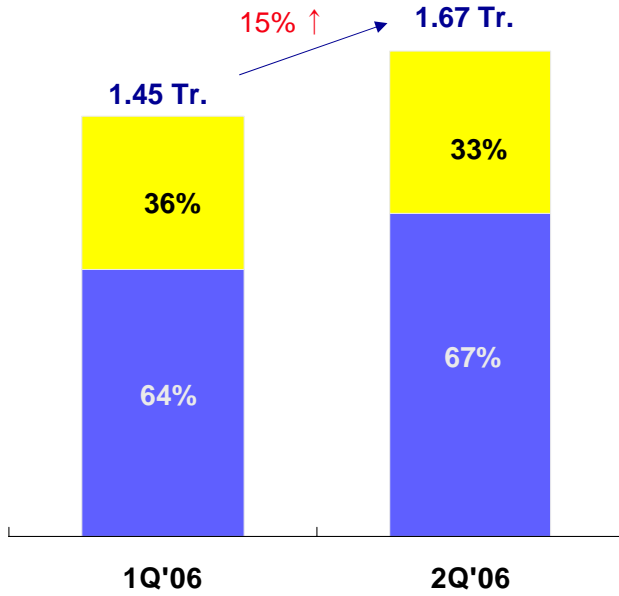
Operational Results (Parent)

<i>Unit : KRW billion</i>	2Q'06	QoQ	1Q'06	2Q'05	YoY
Revenues	1,578	4%	1,511	1,235	28%
Gross Profits	499	-15%	586	370	35%
Operating Profits	323	-14%	376	214	51%
EBITDA	648	-4%	676	496	31%
Net Profits	324	12%	289	238	36%
<i>Profitability(%)</i>					
<i>Gross Margin</i>	32%	-7%	39%	30%	2%
<i>Operating Margin</i>	20%	-4%	25%	17%	3%
<i>EBITDA margin</i>	41%	-4%	45%	40%	1%
<i>Net Profit Margin</i>	21%	1%	19%	19%	1%

Sales Analysis

Sales by Products

■ DRAM
■ NAND Flash / SRAM



Analysis

Revenue increased due to strong shipment increase in spite of slow seasonality

-> 1.67Tr. (QoQ 15%↑)

◆ Increase in DRAM Sales and Sales Portion

- ASP growth by 1% QoQ
- Bit shipment growth by 20% QoQ

◆ Slight Increase in NAND Flash Sales

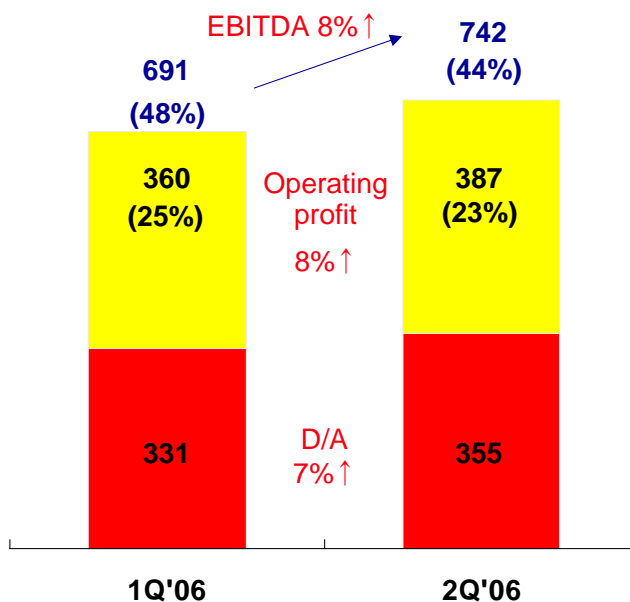
- ASP dropped by 44% QoQ
- Bit shipment growth by 84% QoQ

◆ KRW / USD Exchange rate : -1.2% QoQ

Profit Analysis

QoQ Profit Margin

Unit : billion



Analysis

Operating profits increased due to improved DRAM profitability (OP Margin 23%)

(-) Korean Won Appreciation

(-) NAND Flash ASP drop

(+) Reduced unit cost of DRAM and NAND flash

※ Total operating cost of KRW 1.3tr.

Non-Operating Items (Incl. Overseas Subs.)

<i>Unit: billion</i>	2Q'06	QoQ	1Q'06	2Q'05	YoY
Non-OP Gain/Loss, net	48	-20	68	29	19
<i>Interest Expense, net</i>	31	-2	33	34	-3
<i>FX transaction & translation Loss, net</i>	-19	26	-45	-27	8
<i>Other Expense, net</i>	36	-44	80	22	14
Extraordinary Gain, net	-	-	-	-	-
Income Tax Expense	7	7	0	-	7

Summarized B/S

<i>Unit: billion</i>	Parent			Incl. Overseas Subs.		
	Q2'06	Q1'06	QoQ	Q2'06	Q1'06	QoQ
Asset	11,048	10,405	644	11,765	10,948	817
<i>(Cash *)</i>	(1,130)	(1,120)	(10)	(1,361)	(1,263)	(97)
Liabilities	3,965	3,902	64	4,451	4,344	106
<i>(Debt **)</i>	(1,607)	(1,533)	(73)	(1,851)	(1,781)	(69)
Shareholders' Equity	7,083	6,503	580	7,315	6,603	711
<i>(Capital Stock)</i>	(2,313)	(2,259)	(54)	(2,313)	(2,259)	(54)
<i>(Retained Earnings)</i>	(4,170)	(3,846)	(324)	(4,417)	(4,083)	(333)
D-E Ratio	23%	24%	-1%	25%	27%	-2%
Net D-E Ratio	7%	6%	0%	7%	8%	-1%

Cash * = Cash & Cash Equivalents + S-T Financial Instruments

Debt ** = S-T Borrowings + Current Portion of L-T Debt + Debenture + L-T Debt