MagnaChip Semiconductor, Inc. (California)
Form S-1/A
October 04, 2010
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As filed with the Securities and Exchange Commission on October 4, 2010

Registration No. 333-168790

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

Form S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MAGNACHIP SEMICONDUCTOR S.A.

(Exact name of Registrant as specified in its charter)

Luxembourg	3674	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

74, rue de Merl

B.P. 709 L-2146 Luxembourg R.C.S.

Luxembourg, B97483

(352) 45-62-62

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

(Exact name of Registrant as specified in its charter)

Delaware	**3674**	**84-1664144**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

c/o MagnaChip Semiconductor S.A.

74, rue de Merl

B.P. 709 L-2146 Luxembourg R.C.S.

Luxembourg, B97483

(352) 45-62-62

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

John McFarland

Senior Vice President, General Counsel and Secretary

c/o MagnaChip Semiconductor, Inc.

20400 Stevens Creek Boulevard, Suite 370

Cupertino, CA 95014

Telephone: (408) 625-5999

Fax: (408) 625-5990

(Name, address, including zip code, and telephone number, including area code, of agent for service)

See Table of Additional Registrants Below

Copies to:

Micheal J. Reagan

Khoa D. Do

W. Stuart Ogg

Jones Day

1755 Embarcadero Road

Palo Alto, California 94303

Telephone: (650) 739-3939

Fax: (650) 739-3900

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	þ (Do not check if a smaller reporting company)	Smaller reporting company	¨

The Registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Additional Registrants

Exact Name of Additional Registrants	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number
MagnaChip Semiconductor LLC	Delaware	83-0406195
MagnaChip Semiconductor B.V.	The Netherlands	Not Applicable
MagnaChip Semiconductor, Inc.	California	77-0478632
MagnaChip Semiconductor SA Holdings LLC	Delaware	Not Applicable
MagnaChip Semiconductor Limited	United Kingdom	98-0439386
MagnaChip Semiconductor Limited	Taiwan	98-0439388
MagnaChip Semiconductor Limited	Hong Kong	98-0439389
MagnaChip Semiconductor Inc.	Japan	Not Applicable
MagnaChip Semiconductor Holding Company Limited	British Virgin Islands	Not Applicable

The principal executive office address for each of the additional registrants is c/o MagnaChip Semiconductor S.A., 74, rue de Merl, B.P. 709 L-2146 Luxembourg R.C.S., Luxembourg, B97483, telephone (352) 45-62-62. The primary standard industrial classification code number for each of the additional registrants is 3674.

The address, including zip code, and telephone number, including area code, of each of the additional registrants is c/o MagnaChip Semiconductor, LLC, 20400 Stevens Creek Boulevard, Suite 370, Cupertino, CA 95014, telephone (408) 625-5999, fax (408) 625-5990 and the name of each of the additional registrant s agent for service is John McFarland, Senior Vice President, General Counsel and Secretary, MagnaChip Semiconductor LLC.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 4, 2010

PROSPECTUS

MagnaChip Semiconductor S.A.

MagnaChip Semiconductor Finance Company

10.500% Senior Notes due 2018 and related Guarantees

This prospectus covers resales by certain holders of up to $35,000,000 in principal amount of the 10.500% Senior Notes due 2018 issued by MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company on April 9, 2010, which may be offered from time to time by the selling noteholders. We refer to the 10.500% Senior Notes due 2018, together with the related guarantees, offered in this prospectus collectively as the notes.

The notes mature on April 15, 2018. Interest on the notes is payable on April 15 and October 15 of each year and accrues at a rate of 10.500% per annum. At any time prior to April 15, 2013, the issuers have the option on any one or more occasions to redeem up to 35% of the notes with proceeds of certain equity offerings at the redemption price set forth in this prospectus. In addition, at any time prior to April 15, 2014, the issuers have the option on any one or more occasions to redeem all or a portion of the notes at a price equal to 100% of the principal amount of the notes redeemed, plus a make whole premium and accrued and unpaid interest and Special Interest, if any. On or after April 15, 2014, the issuers have the option to redeem all or a portion of the notes at the redemption prices set forth in this prospectus. The issuers have the option to redeem all of the notes at the redemption price set forth in this prospectus if they become obligated to pay additional amounts in respect of withholding for taxes as a result of specified changes in relevant law, subject to certain limitations. Upon certain change of control events or asset sales, each holder of the notes may require the issuers to repurchase all or a part of their notes at the price set forth in this prospectus.

The issuers obligations under the notes are fully and unconditionally guaranteed, jointly and severally by MagnaChip Semiconductor LLC and certain of its current and future subsidiaries. The notes are unsecured obligations. The notes and the guarantees are effectively subordinated in right of payment to all secured obligations of the issuers and the guarantors to the extent of the value of the collateral securing such indebtedness. The notes are also effectively junior in right of payment to all obligations and other liabilities (including trade payables) of any subsidiaries of MagnaChip Semiconductor LLC that are not guarantors of the notes. See Description of Notes The Note Guarantees.

The issuers have not, and do not intend to apply, for listing of the notes on any national securities exchange or automated quotation system.

We will not receive any proceeds from the resale of the notes hereunder. The selling noteholders may offer some or all of the notes through public or private transactions, at market prices prevailing at the time of the sale, at prices related to those prevailing prices, at negotiated prices or at fixed prices. We are contractually obligated to pay all registration expenses, with certain limitations, incurred in connection with this offering.

See Risk Factors beginning on page 20 for a discussion of risks that should be considered before buying the notes offered hereunder.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010.

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IF IT IS AGAINST THE LAW IN ANY STATE OR OTHER JURISDICTION TO MAKE AN OFFER TO SELL THE NOTES OR TO SOLICIT AN OFFER FROM SOMEONE TO BUY THE NOTES REGISTERED PURSUANT TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS FORMS A PART, THEN THIS PROSPECTUS DOES NOT APPLY TO ANY PERSON IN THAT STATE OR OTHER JURISDICTION, AND NO OFFER OR SOLICITATION IS MADE BY THIS PROSPECTUS TO ANY SUCH PERSON.

NOTICE TO PROSPECTIVE PURCHASERS IN NEW HAMPSHIRE: Neither the fact that a registration statement or an application for a license has been filed under this chapter with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

No dealer, salesperson or other person has been authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the securities offered by this prospectus, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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This prospectus is part of a registration statement on Form S-1 filed with the Securities and Exchange Commission, or SEC, under the Securities Act and does not contain all of the information contained in the registration statement. This information is available without charge upon written or oral request. See Where you can find more information.

MagnaChip is a registered trademark of us and our subsidiaries and MagnaChip Everywhere is our registered service mark. An application for United States trademark registration of MagnaChip Everywhere is pending. All other product, service and company names mentioned in this prospectus are the service marks or trademarks of their respective owners.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus. The following summary is qualified in its entirety by the information contained elsewhere in this prospectus. This summary is not complete and may not contain all of the information that you should consider before deciding to purchase the notes offered hereunder. You should read the entire prospectus carefully, including the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained in this prospectus and our consolidated financial statements before making an investment decision.

In this prospectus, unless the context otherwise requires:

MagnaChip, we, us, our and Our Company refer collectively to MagnaChip Semiconductor LLC, the parent company of our consolidated group, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, the co-issuers of the notes being offered hereby, and their respective subsidiaries on a consolidated basis, and such terms refer collectively to MagnaChip Semiconductor LLC, the parent company of our consolidated group, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, and their respective subsidiaries on a consolidated basis.

MagnaChip Corporation refers to MagnaChip Semiconductor Corporation (the expected corporate successor to MagnaChip Semiconductor LLC pursuant to the corporate conversion described below that will occur if and when MagnaChip Semiconductor LLC consummates an initial public offering of its equity securities).

MagnaChip Korea refers to MagnaChip Semiconductor, Ltd., our principal operating subsidiary.

Korea refers to the Republic of Korea or South Korea.

We filed a registration statement on Form S-1 with the SEC on March 15, 2010, as amended, with respect to the initial public offering of the common stock of MagnaChip Corporation, which we refer to as the MagnaChip Corporation IPO. If and when we decide to proceed with the MagnaChip Corporation IPO, prior to the effectiveness of the registration statement filed with the SEC for the MagnaChip Corporation IPO, we will complete a number of transactions pursuant to which MagnaChip Corporation will succeed to the business of MagnaChip Semiconductor LLC, the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation and all of the outstanding options and warrants to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into options and warrants to purchase shares of MagnaChip Corporation s common stock. In this prospectus, we refer to such transactions as the corporate conversion.

Neither of the co-issuers has any material operations and the financial statements and other financial information, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in this prospectus relate to the consolidated financial statements and other consolidated information of MagnaChip. For this reason, the description of our business operations elsewhere relates to the operations of our consolidated group.

Overview

MagnaChip is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry,

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supported by our 30-year operating history, large portfolio of approximately 2,655 novel registered patents and 900 pending novel patent applications, and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers that cover a wide range of flat panel displays and mobile multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology platform and develop products and services that are in high demand by our customers and end consumers. We sold over 1,900 and 2,300 distinct products to over 335 and 185 customers for the six months ended June 30, 2010 and combined twelve-month period ended December 31, 2009, respectively, with a substantial portion of our revenues derived from a concentrated number of customers. The increase in number of customers is due to the continuing growth of our Power Solutions business. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design analog and mixed-signal products for the consumer, computing and wireless end markets.

Our business is largely driven by innovation in the consumer electronics markets and the growing adoption by consumers worldwide of electronic devices for use in their daily lives. The consumer electronics market is large and growing rapidly, largely due to consumers increasingly accessing a wide variety of available rich media content, such as high definition audio and video, mobile television and games on advanced consumer electronic devices. According to Gartner, production of liquid crystal display, or LCD televisions, smartphones, mobile personal computers, or PCs, and mini-notebooks is expected to grow from 2009 to 2013 by a compound annual growth rate of 12%, 36%, 24%, and 20%, respectively. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power management semiconductors that increase power efficiency, thereby reducing heat dissipation and extending battery life. According to iSuppli Corporation, in 2009, the display driver semiconductor market was $6.0 billion and the power management semiconductor market was $21.9 billion.

For the six months ended June 30, 2010, on a pro forma basis, we generated net sales of $374.2 million, loss from continuing operations of $3.8 million, Adjusted EBITDA of $72.6 million and Adjusted Net Income of $40.6 million. For 2009 on a combined pro forma basis, we generated net sales of $560.1 million, income from continuing operations of $46.6 million, Adjusted EBITDA of $98.7 million and Adjusted Net Income of $33.7 million. On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and our plan of reorganization became

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effective on November 9, 2009. For 2008, we generated net sales of $601.7 million, losses from continuing operations of $325.8 million, Adjusted EBITDA of $59.8 million and Adjusted Net Loss of $71.7 million. See Unaudited Pro Forma Consolidated Financial Information beginning on page 51 for an explanation regarding our pro forma presentation and Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data, beginning on page 13 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

Our Products and Services

Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in LCD televisions and light emitting diode, or LED, televisions and displays, mobile PCs and mobile communications and entertainment devices. Our display solutions support the industry s most advanced display technologies, such as low temperature polysilicon, or LTPS, and active matrix organic light emitting diode, or AMOLED, as well as high-volume display technologies such as thin film transistor, or TFT. Our Display Solutions business represented 50.5%, 50.5% and 46.7% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis), 2008 and 2007, respectively, and 42.0% and 55.5% of our net sales for the six months ended June 30, 2010 and June 28, 2009, respectively.

We expanded our business and market opportunity by establishing our Power Solutions business in late 2007. We have introduced a number of products for power management applications, including metal oxide semiconductor field effect transistors, or MOSFETs, analog switches, LED drivers, DC-DC converters and linear regulators for a range of devices, including LCD and LED digital televisions, mobile phones, computers and other consumer electronics products. Our Power Solutions business represented 2.2% and 0.9% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis) and 2008, respectively, and 5.6% and 1.1% of our net sales for the six months ended June 30, 2010 and June 28, 2009, respectively.

We offer semiconductor manufacturing services to fabless analog and mixed-signal semiconductor companies that require differentiated, specialty analog and mixed-signal process technologies. We believe the majority of our top twenty semiconductor manufacturing services customers use us as their primary manufacturing source for the products that we manufacture for them. Our process technologies are optimized for analog and mixed-signal devices and include standard complementary metal-oxide semiconductor, or CMOS, high voltage CMOS, ultra-low leakage high voltage CMOS and bipolar complementary double-diffused metal oxide semiconductor, or BCDMOS. Our semiconductor manufacturing services customers use us to manufacture a wide range of products, including display drivers, LED drivers, audio encoding and decoding devices, microcontrollers, electronic tags and power management semiconductors. Our Semiconductor Manufacturing Services business represented 46.7%, 47.7% and 45.2% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis), 2008 and 2007, respectively, and 52.1% and 42.8% of our net sales for the six months ended June 30, 2010 and June 28, 2009, respectively.

We manufacture all of our products at our three fabrication facilities located in Korea. We have approximately 200 proprietary process flows we can utilize for our products and offer to our semiconductor manufacturing services customers. Our manufacturing base serves both our display driver and power management businesses and semiconductor manufacturing services customers, allowing us to optimize our asset utilization and leverage our investments across our product and service offerings. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by design and process implementation expertise rather than the use of the most advanced equipment. These processes also tend to migrate more slowly to smaller geometries due to

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technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy does not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments.

Our Competitive Strengths

We believe our strengths include:

- Broad and advanced analog and mixed-signal semiconductor technology and intellectual property platform that allows us to develop new products and meet market demands quickly;

- Established relationships and close collaboration with leading global consumer electronics companies, which enhance our visibility into new product opportunities, markets and technology trends;

- Longstanding presence of our management, personnel and manufacturing base in Asia and proximity to our largest customers and to the core of the global consumer electronics supply chain, which allows us to respond rapidly and efficiently to our customers needs;

- Flexible, service-oriented culture and approach to customers;

- Distinctive analog and mixed-signal process technology and manufacturing expertise; and

- Manufacturing facilities with specialty processes and a low-cost operating structure, which allow us to maintain price competitiveness across our product and service offerings.

Our Strategy

Our objective is to grow our business, our cash flow and profitability and to establish our position as a leading provider of analog and mixed-signal semiconductor products and services for high-volume markets. Our business strategy emphasizes the following key elements:

- Leverage our advanced analog and mixed-signal technology platform to continuously innovate and deliver products with high levels of performance and integration, as well as to expand our technology offerings within our target markets, such as our power management products;

- Increase business with our global customer base of leading consumer electronics original equipment manufacturers, or OEMs, and fabless companies by collaborating on critical design, product and manufacturing process development and leveraging our deep knowledge of customer needs;

- Broaden our customer base by expanding our global design centers and local application engineering support and sales presence, particularly in China and other high-growth regions;

Aggressively grow our power management product portfolio business by introducing new products, expanding distribution and cross-selling products to our existing customers;

Drive execution excellence in new product development, manufacturing efficiency and quality, customer service and personnel development; and

Optimize asset utilization and return on capital investments by maintaining our focus on specialty process technologies that do not require substantial investment in leading edge process equipment and by utilizing our manufacturing facilities for both our display driver and power management businesses and manufacturing services customers.

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Recent Changes to Our Business

We have executed a significant restructuring over the last 18 months that refocused our business strategy, enhanced our operating efficiency and improved our cash flow and profitability. By closing our Imaging Solutions business, restructuring our balance sheet and refining our business processes and strategy, we believe we have made significant structural improvements to our operating model and have enabled better flexibility to manage our business through fluctuations in the economy and our markets.

Specifically, our business optimization initiatives included:

- Closing our Imaging Solutions business, which had been a source of substantial ongoing operating losses amounting to $91.5 million and $51.7 million in 2008 and 2007, respectively, and which required substantial ongoing capital investment;
- Through our reorganization proceedings, reducing our indebtedness from $845 million immediately prior to the effectiveness of our plan of reorganization to $61.8 million as of December 31, 2009 and retiring $149 million of redeemable convertible preferred units;
- Streamlining our cost structure to reduce ongoing fixed and variable expenses;
- Entering into a hedging program to mitigate the impact of currency fluctuation on our financial results; and
- Focusing on major customers, key product lines, growth segments and areas of competitive differentiation.

On April 9, 2010, we completed the sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018, which we refer to as our senior notes. Of the $238.4 million of net proceeds, which represents $250 million of principal amount net of $3.3 million of original issue discount and $8.3 million of debt issuance costs, $130.7 million was used to make a distribution to our unitholders and $61.6 million was used to repay all outstanding borrowings under our term loan. The remaining proceeds of $46.1 million were retained to fund working capital and for general corporate purposes. As a result of our higher level of indebtedness from our senior notes offering, our interest expense will increase above that which was reported for the six months ended June 30, 2010 to approximately $13.6 million per semiannual period.

On June 30, 2010, we announced that we elected not to proceed with our planned MagnaChip Corporation IPO and corporate conversion at such time due to adverse market conditions. We intend to complete the MagnaChip Corporation IPO as soon as market conditions permit us to do so. We, however, cannot assure you when or if we will be able to complete the MagnaChip Corporation IPO, even if market conditions improve. If we are unable to complete the MagnaChip Corporation IPO, it could adversely impact the value of the notes.

Risks Related to Our Company

Investing in our company entails a high degree of risk, including those summarized below and those more fully described in the Risk Factors section beginning on page 20 of this prospectus.

- We have a history of losses and may not be profitable in the future;
- On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and our plan of reorganization became effective on November 9, 2009;

In connection with our audit for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009, our auditors identified two control deficiencies

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which represent a material weakness in our internal control over financial reporting; if we fail to effectively remediate this weakness, the accuracy and timing of our financial reporting may be adversely affected;

The cyclical nature of the semiconductor industry may limit our ability to maintain or increase net sales and profit levels during industry downturns;

If we fail to develop new products and process technologies or enhance our existing products and services in order to react to rapid technological change and market demands, our business will suffer;

A significant portion of our sales comes from a relatively limited number of customers and the loss of any of such customers or a significant decrease in sales to any of such customers would harm our revenue and gross profit; and

The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit.

Corporate Information

MagnaChip Semiconductor LLC is a Delaware limited liability company and parent guarantor of the notes. MagnaChip Semiconductor LLC functions as a holding and financing company for other MagnaChip entities. On a stand-alone basis, MagnaChip Semiconductor LLC does not have any independent operations.

If and when we complete the MagnaChip Corporation IPO and prior to the effectiveness of the registration statement filed in connection with the MagnaChip Corporation IPO, MagnaChip Semiconductor LLC will convert from a Delaware limited liability company to a Delaware corporation. We refer to this as the corporate conversion. In connection with the corporate conversion, each common unit of MagnaChip Semiconductor LLC will be converted into shares of common stock of MagnaChip Semiconductor Corporation, the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation and MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries.

MagnaChip Semiconductor S.A., our Luxembourg subsidiary and one of the two co-issuers of the notes, is a Luxembourg public limited liability company (*société anonyme*). It functions as a financing company. On a stand-alone basis, MagnaChip Semiconductor S.A. does not have any independent operations.

MagnaChip Semiconductor Finance Company, a wholly-owned subsidiary of MagnaChip Semiconductor S.A. and one of the two co-issuers of the notes, is a Delaware corporation. On a stand-alone basis, MagnaChip Semiconductor Finance Company does not have any independent operations.

Our principal executive offices are located at c/o MagnaChip Semiconductor S.A., 74, rue de Merl, B.P. 709 L-2146 Luxembourg R.C.S., Luxembourg B97483, and our telephone number is (352) 45-62-62. Our website address is www.magnachip.com. You should not consider the information contained on our website to be part of this prospectus.

Our business was named MagnaChip Semiconductor when it was acquired from Hynix Semiconductor, Inc., or Hynix, in October 2004. We refer to this acquisition as the Original Acquisition.

On June 12, 2009, MagnaChip Semiconductor LLC, along with certain of its subsidiaries, including MagnaChip Semiconductor S.A., filed a voluntary petition for relief in the United States

Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code, which we refer to as the reorganization proceedings. On November 9, 2009, our plan of reorganization became effective and we emerged from the reorganization proceedings with our management team remaining in place. Our Chapter 11 plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. Additionally, on that date, a new board of directors of MagnaChip Semiconductor LLC was appointed, MagnaChip Semiconductor LLC s previously outstanding common and preferred units, and options were cancelled, MagnaChip Semiconductor LLC issued approximately 300 million common units and warrants to purchase 15 million common units to two classes of creditors and affiliated funds of Avenue Capital Management II, L.P. became the majority unitholder of MagnaChip Semiconductor LLC.

Avenue Capital Management II, L.P. is a global investment management firm, and it and its affiliated funds specialize in investing in high yield debt, debt of insolvent or financially distressed companies and equity of companies undergoing financial or operational turnarounds or reorganizations. In this prospectus, we refer to funds affiliated with Avenue Capital Management II, L.P. collectively as Avenue. Avenue generally does not manage or operate the companies in which it invests; however, in connection with some of its equity investments, Avenue will appoint one or more representatives to serve on the board of directors. Avenue was a holder of a significant portion of our indebtedness which was outstanding prior to our reorganization proceedings. In connection with our emergence from our reorganization proceedings, Avenue became our majority unitholder as a result of its participation in our rights offering and continued as a lender under our new term loan. In connection with our April 2010 senior notes offering, Avenue purchased notes in the aggregate principal amount of $35.0 million, was repaid $42.8 million in connection with the repayment of our new term loan and received $91.2 million in connection with our distribution to unitholders. Avenue has the right to appoint a majority of our board pursuant to our Fifth Amended and Restated Limited Liability Company Operating Agreement and if and when we complete the MagnaChip Corporation IPO, Avenue will continue to be able to elect a majority of our board as long as Avenue continues to hold or control a majority of our outstanding shares. See Certain Relationships and Related Transactions for additional information.

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Organizational Structure

The following chart shows a summary of our organizational structure. MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company are the co-issuers of the senior notes offered hereby. MagnaChip Semiconductor LLC and each of its subsidiaries (other than MagnaChip Korea, the MagnaChip China Subsidiaries and certain Immaterial Subsidiaries (each as defined under the caption Description of Notes)), guarantee the notes.

(1) Assuming completion of the corporate conversion, MagnaChip Corporation will succeed to the business of MagnaChip Semiconductor LLC.

(2) Does not guarantee the notes offered hereby.

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Summary of the Terms of the Notes

The following summary highlights certain material information regarding the notes contained elsewhere in this prospectus. We urge you to read this entire prospectus, including the Risk Factors section and the consolidated financial statements and related notes.

Issuers	MagnaChip Semiconductor S.A. a société anonyme with a registered office at 74, rue de Merl, B.P. 709 L-2146 Luxembourg registered with the register of commerce and companies of Luxembourg under number B97483 and MagnaChip Semiconductor Finance Company.
Notes	$250 million in aggregate principal amount of 10.500% Senior Notes due 2018, of which $35 million are offered hereby.
Maturity	April 15, 2018.
Interest Rate	Interest on the notes accrues at a rate of 10.500% per annum. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.
Interest Payment Dates	Interest on the notes is payable semi-annually on April 15 and October 15 of each year, beginning on October 15, 2010.
Guarantees	The notes are fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and each of its current and future subsidiaries (other than certain Immaterial Subsidiaries, MagnaChip Korea and the MagnaChip China Subsidiaries). See Description of Notes The Note Guarantees.
Ranking	The notes are the issuers general unsecured obligations. The notes rank pari passu in right of payment with all of the issuers existing and future unsecured indebtedness and other liabilities (including trade payables) and senior in right of payment to all future debt of the issuers that is expressly subordinated in right of payment to the notes (if any).

The notes are effectively subordinated in right of payment to all borrowings under future secured credit facilities (to the extent of the value of the collateral securing those facilities) and to all indebtedness and other liabilities (including trade payables) of any non-guarantor subsidiaries. Our non-guarantor subsidiaries generated approximately 98.0% and 69.2% of our aggregate consolidated revenues for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively, and as of June 30, 2010 and December 31, 2009 held approximately 85.1% and 87.3% of our consolidated assets and had $204.0 million and $166.2 million in total outstanding indebtedness and other liabilities, excluding intercompany liabilities.

	The note guarantees are the guarantors general unsecured obligations. Each guarantee is effectively subordinated in right of payment to all future secured debt of the guarantor, is pari passu in right of payment with all existing and future unsecured indebtedness and other liabilities (including trade payables) of the guarantor and senior in right of payment to any future subordinated indebtedness of the guarantor (if any).
Optional Redemption	On or after April 15, 2014, we may on one or more occasions redeem some or all of the notes at any time at the redemption prices set forth under Description of Notes Optional Redemption, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date.

In addition, at any time prior to April 15, 2013, we may on one or more occasions redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain qualified equity offerings, at a redemption price equal to 110.500% of the principal amount of the notes to be redeemed plus accrued and unpaid interest and special interest, if any, to the redemption date.

Also, at any time prior to April 15, 2014, we may, on one or more occasions, redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest and special interest, if any, to the redemption date and a make-whole premium.

See Description of Notes Optional Redemption.

Additional Amounts; Tax Redemption	Payments on the notes will be made without withholding or deduction for any current or future taxes, unless required by law. If withholding is required, we will pay such additional amounts as may be necessary in order that the net amounts received by holders of the notes will equal the amounts that would have been received if taxes had not been withheld, subject to the limitations set forth under Description of Notes Additional Amounts.

We may redeem the notes in whole but not in part, at our discretion, at a redemption price equal to the principal amount of the notes outstanding plus accrued and unpaid interest, special interest and additional amounts due, if any, to the redemption date, if we are or would be required to pay any such additional amounts as a result of specified changes in laws, treaties, regulations or rulings, or specified changes in application, administration or interpretation of such laws, treaties, regulations or rulings, subject to certain limitations. See Description of Notes Redemption Upon Changes in Withholding Taxes.

Change of Control Offer	If we experience certain change of control events, we must offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. See Description of Notes Repurchase at the Option of Holders Change of Control.
Asset Sale Offer	Under certain circumstances, if we sell assets and do not use the proceeds from the sale as specified in the indenture, we must apply the proceeds therefrom to an offer to repurchase, prepay or redeem the notes at 100% of their principal amount, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. See Description of Notes Repurchase at the Option of Holders Asset Sales.
Restrictive Covenants	The notes were issued under an indenture containing covenants that, among other things, restrict the ability of MagnaChip Semiconductor LLC and its restricted subsidiaries (including the issuers) to:

- pay dividends, redeem units, make payments with respect to subordinated indebtedness, or make other restricted payments;
- incur additional indebtedness or issue preferred units;
- create liens;
- make certain investments;
- consolidate, merge or dispose of all or substantially all of our assets, taken as a whole;
- sell or otherwise transfer or dispose of assets, including equity interests of subsidiaries;
- enter into sale-leaseback transactions;
- enter into transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

These covenants are subject to a number of important exceptions and qualifications. See Description of Notes Certain Covenants. Certain of these restrictive covenants will terminate if the notes are rated investment-grade.

Risk Factors	See Risk Factors for a description of certain risks you should consider before deciding to purchase the notes offered hereby.

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Ratio of Earnings to Fixed Charges

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

Successor		Predecessor					
				Years Ended December 31,			
Six Months Ended June 30, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Six Months Ended June 28, 2009	2008	2007	2006	2005
1.2		21.2					

Where a dash appears, our earnings were negative and were insufficient to cover fixed charges during the period. Our deficiencies to cover fixed charges in each period presented were as follows:

	Successor	Predecessor				
			Years Ended December 31,			
	Two-Month Period Ended December 31, 2009	Six Months Ended June 28, 2009	2008	2007	2006	2005
			(In millions)			
Deficiencies	$ 0.5	$ 41.6	$ 327.5	$ 132.0	$ 78.8	$ 119.2

See Ratio of Earnings to Fixed Charges for additional information.

Use of Proceeds

The net proceeds from the sale of the notes offered hereby will be received by the selling securityholders. We will not receive any of the proceeds from any sale by any selling securityholder of the notes covered by this prospectus.

No Established Trading Market

There is no established trading market for the notes. The notes are not listed on any securities exchange or on any automated dealer quotation system. We cannot assure you that an active or liquid trading market for the notes will develop. If an active or liquid trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

Form and Denominations

The notes were issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The notes are book-entry only and registered in the name of a nominee of the Depository Trust Company, or DTC, in the noteholders register held at the registered office of the issuers. Holders of the notes may elect to hold interests in the notes through Clearstream Banking, S.A., or Euroclear Bank S.A./N.V., as operator of the Euroclear system, either as direct participants in those systems or indirectly through organizations that are participants in those systems.

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Summary Historical and Unaudited Pro Forma Consolidated Financial Data

The following tables set forth summary historical and unaudited pro forma consolidated financial data of MagnaChip Semiconductor LLC on or as of the dates and for the periods indicated. The summary historical and unaudited pro forma consolidated financial data presented below should be read together with Selected Historical Consolidated Financial and Operating Data, Unaudited Pro Forma Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited consolidated financial statements, including the notes to those consolidated financial statements, appearing elsewhere in this prospectus.

We have derived the summary historical consolidated financial data as of December 31, 2009 and 2008, and for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the years ended December 31, 2008 and 2007 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC prepared in accordance with generally accepted accounting principles in the United States, or GAAP, included elsewhere in this prospectus. We have derived the summary historical consolidated financial data as of December 31, 2007 from the historical audited financial statements of MagnaChip Semiconductor LLC not included in this prospectus. We derived the unaudited consolidated statement of operations data for the six months ended June 30, 2010 and June 28, 2009, as well as unaudited consolidated balance sheet data as of June 30, 2010, from our unaudited interim consolidated financial statements included elsewhere in this prospectus. We derived the unaudited consolidated balance sheet data as of June 28, 2009 from our unaudited interim consolidated financial statements not included in this prospectus. The historical results of MagnaChip Semiconductor LLC for any prior period are not necessarily indicative of the results to be expected in any future period, and financial results for any interim period are not necessarily indicative of results for a full year.

In connection with our emergence from reorganization proceedings, we implemented fresh-start reporting, or fresh-start accounting, in accordance with applicable Accounting Standards Codification, or ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with the ASC 852 rules governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting and write-off of debt issuance costs. As a result of the application of fresh-start accounting, our financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the financial statements of our post-reorganization successor company. As a result of the application of fresh-start accounting, the financial statements prior to and including October 25, 2009 are not fully comparable with the financial statements for periods on or after October 26, 2009.

We have prepared the summarized unaudited pro forma financial data as of and for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009 to give pro forma effect to the reorganization proceedings and related events and the issuance of $250 million senior notes and the application of the net proceeds therefrom, in each case as if they had occurred at January 1, 2009 with respect to consolidated statement of operations data. The summary unaudited pro forma financial data set forth below are presented for informational purposes only, should not be considered indicative of actual results of operations that would have been achieved had the reorganization proceedings and related events and the issuance of $250 million senior notes and the application of the net proceeds therefrom been consummated on the dates indicated, and do not purport to be indicative of our results of operations for any future period.

	Pro Forma(1)		Historical					
			Successor		Predecessor			
	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2010*	Two-Month Period Ended December 31, 2009**	Ten-Month Period Ended October 25, 2009**	Six Months Ended June 28, 2009*	Years Ended December 31, 2008**	2007**
	(In millions, except per common unit data)							
Statements of Operations Data:								
Net sales	$ 374.2	$ 560.1	$ 374.2	$ 111.1	$ 449.0	$ 241.2	$ 601.7	$ 709.5
Cost of sales	259.4	378.9	260.3	90.4	311.1	171.9	445.3	578.9
Gross profit	114.8	181.2	113.9	20.7	137.8	69.2	156.4	130.7
Selling, general and administrative expenses	33.9	71.6	33.9	14.5	56.3	33.6	81.3	82.7
Research and development expenses	41.1	77.3	41.1	14.7	56.1	33.2	89.5	90.8
Restructuring and impairment charges	0.6	0.4	0.6		0.4	0.4	13.4	12.1
Operating income (loss) from continuing operations	39.2	31.9	38.3	(8.6)	25.0	1.9	(27.7)	(54.9)
Interest expense, net	(13.6)	(28.8)	(8.6)	(1.3)	(31.2)	(27.5)	(76.1)	(60.3)
Foreign currency gain (loss), net	(26.7)	52.8	(26.7)	9.3	43.4	(9.4)	(210.4)	(4.7)
Reorganization items, net					804.6	(0.3)		
Others	(1.0)		(1.0)					
	(41.3)	24.0	(36.3)	8.1	816.8	(37.3)	(286.5)	(65.0)
Income (loss) from continuing operations before income taxes	(2.1)	55.9	2.1	(0.5)	841.8	(35.3)	(314.3)	(120.0)
Income tax expenses	1.7	9.2	1.7	1.9	7.3	5.0	11.6	8.8
Income (loss) from continuing operations	$ (3.8)	$ 46.6	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)
Income (loss) from discontinued operations, net of taxes				0.5	6.6	(1.8)	(91.5)	(51.7)
Net income (loss)			$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)
Dividends accrued on preferred units					6.3	6.3	13.3	12.0
Income (loss) from continuing operations attributable to common units		$ 46.6	$ 0.4	$ (2.5)	$ 828.2	$ (46.6)	$ (339.1)	$ (140.9)
Per common unit data:								
Earnings (loss) from continuing operations per common unit Basic and diluted	$ 0.01	$ 0.16	$ 0.00	$ (0.01)	$ 15.65	$ (0.88)	$ (6.43)	$ (2.69)
Weighted average number of common units								
Basic	302.501	300.158	302.501	300.863	52.923	52.923	52.769	52.297
Diluted	312.480	300.166	312.480	300.863	52.923	52.923	52.769	52.297
Consolidated Balance Sheet Data (at period end):								
Cash and cash equivalents			$ 141.3	$ 64.9		$ 9.4	$ 4.0	$ 64.3
Total assets			566.0	453.3		396.4	399.2	707.9
Total indebtedness(2)			246.7	61.8		845.0	845.0	830.0
Long-term obligations(3)			247.0	61.5		899.4	143.2	879.4
Total unitholders equity (deficit)			101.9	215.7		(831.7)	(787.8)	(477.5)
Supplemental Data (unaudited):								
Adjusted EBITDA(4)	$ 72.6	$ 98.7	$ 72.6	$ 22.1	$ 76.6	$ 31.6	$ 59.8	$ 111.2
Adjusted Net Income (Loss)(5)	40.6	33.7	45.7	13.3	9.3	(17.9)	(71.7)	(82.6)

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* Derived from our unaudited interim consolidated financial statements.

** Derived from our audited consolidated financial statements.

(1) Gives effect to the reorganization proceedings and related events and the issuance of $250 million senior notes and the application of the net proceeds therefrom. For details regarding these pro forma adjustments, see the notes to the unaudited pro forma condensed consolidated financial information in Unaudited Pro Forma Consolidated Financial Information.

(2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings and interest-bearing liabilities subject to compromise.

(3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units, including interest-bearing liabilities subject to compromise.

(4) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expense, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (ix) equity-based compensation expense, (x) reorganization items, net, (xi) foreign currency gain (loss), net and (xii) derivative valuation gain (loss), net. See the footnotes to the table below for further information regarding these items. In the case of pro forma Adjusted EBITDA, we exclude the items above from income (loss) from continuing operations. We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- we anticipate that our investor and analyst presentations when and if we are public will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to that of other companies in our industry.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our board of directors concerning our consolidated financial performance; and
- in certain of our compensation plans as a performance measure for determining incentive compensation payments.

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We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Pro Forma		Historical					
			Successor		Predecessor			
	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Six Months Ended June 28, 2009	Years Ended December 31, 2008	2007
	(In millions)							
Net income (loss)			$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes				0.5	6.6	(1.8)	(91.5)	(51.7)
Income (loss) from continuing operations	$ (3.8)	$ 46.6	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)
Adjustments:								
Depreciation and amortization associated with continuing operations	30.0	50.6	30.0	11.2	37.7	22.2	63.8	152.2
Interest expense, net	13.6	28.8	8.6	1.3	31.2	27.5	76.1	60.3
Income tax expenses	1.7	9.2	1.7	1.9	7.3	5.0	11.6	8.8
Restructuring and impairment charges(a)	0.6	0.4	0.6		0.4	0.4	13.4	12.1
Other restructuring charges(b)		13.3			13.3	6.9	6.2	
Abandoned IPO expenses(c)							3.7	
Subcontractor claim settlement(d)								1.3
Reorganization items, net(e)					(804.6)	0.3		
Inventory step-up(f)			0.9	17.2				
Equity-based compensation expense(g)	2.8	2.4	2.8	2.2	0.2	0.2	0.5	0.6
Foreign currency loss (gain), net(h)	26.7	(52.8)	26.7	(9.3)	(43.4)	9.4	210.4	4.7
Derivative valuation loss, net(i)	1.0		1.0					
Adjusted EBITDA	$ 72.6	$ 98.7	$ 72.6	$ 22.1	$ 76.6	$ 31.6	$ 59.8	$ 111.2

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the six months ended June 30, 2010, impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting, (ii) for the six months ended June 28, 2009, the closure of our research and development facilities in Japan, (iii) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (iv) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our mobile display solutions, or MDS reporting unit, and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (v) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of $6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses and (iii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

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(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the period from January 1 to October 25, 2009 was our predecessor s gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor s carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our Chapter 11 reorganization.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

(i) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted EBITDA does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

(5) We present Adjusted Net Income as a further supplemental measure of our performance. We prepare Adjusted Net Income by adjusting net income (loss) to eliminate the impact of a number of non-cash expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Net Income is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance.

We present Adjusted Net Income for a number of reasons, including:

we use Adjusted Net Income in communications with our board of directors concerning our consolidated financial performance;

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we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and

we anticipate that our investor and analyst presentations when and if we are public will include Adjusted Net Income.

Adjusted Net Income is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes, excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) abandoned IPO expenses, (vi) subcontractor claim settlement, (v) reorganization items, net, (vi) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vii) equity based compensation expense, (viii) amortization of intangibles associated with continuing operations, (ix) foreign currency gain (loss), net and (x) derivative valuation gain (loss), net.

The following table summarizes the adjustments to net income (loss) that we make in order to calculate Adjusted Net Income for the periods indicated:

	Pro Forma		**Historical**					
			Successor		**Predecessor**			
	Six Months Ended June 30, 2010	**Year Ended December 31, 2009**	**Six Months Ended June 30, 2010**	**Two-Month Period Ended December 31, 2009**	**Ten-Month Period Ended October 25, 2009**	**Six Months Ended June 28, 2009**	**Years Ended December 31, 2008**	**2007**
	(In millions)							
Net income (loss)			$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes				0.5	6.6	(1.8)	(91.5)	(51.7)
Income (loss) from continuing operations	$ (3.8)	$ 46.6	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)
Adjustments:								
Restructuring and impairment charges(a)	0.6	0.4	0.6		0.4	0.4	13.4	12.1
Other restructuring charges(b)		13.3			13.3	6.9	6.2	
Abandoned IPO expenses(c)							3.7	
Subcontractor claim settlement(d)								1.3
Reorganization items, net(e)					(804.6)	0.3		
Inventory step-up(f)			0.9	17.2				
Equity based compensation expense(g)	2.8	2.4	2.8	2.2	0.2	0.2	0.5	0.6
Amortization of intangibles associated with continuing operations(h)	13.4	23.6	13.4	5.6	8.8	5.2	20.0	27.5
Foreign currency loss (gain), net(i)	26.7	(52.8)	26.7	(9.3)	(43.4)	9.4	210.4	4.7
Derivative valuation loss, net(j)	1.0		1.0					
Adjusted Net income (loss)	$ 40.6	$ 33.7	$ 45.7	$ 13.3	$ 9.3	$ (17.9)	$ (71.7)	$ (82.6)

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the six months ended June 30, 2010, impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting, (ii) for the six months ended June 28, 2009, the closure of our research and development facilities in Japan, (iii) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (iv) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our MDS reporting unit and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in

2007, and (v) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

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(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of $6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (iii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor s gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor s carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our reorganization proceedings.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.

(i) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

(j) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

Adjusted Net Income does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted Net Income does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;

Adjusted Net Income does not reflect the costs of holding certain assets and liabilities in foreign currencies; and other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted Net Income should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted Net Income only supplementally.

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RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case there could be a material adverse effect on our ability to satisfy our obligations under the notes and you may lose all or part of your original investment.

Risks Related to the Notes

There is no Public Trading Market for the Notes and an Active Trading Market may not Develop for the Notes.

The notes are new securities for which there is no established trading market. We do not intend to apply for listing or quotation of the notes on any securities exchange or stock market. We have been advised by Goldman, Sachs & Co., Barclays Capital Inc., Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and UBS Securities LLC, which acted as initial purchasers in connection with the offer and sale of the senior notes, that certain of the initial purchasers intend to make a market in the notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes. In addition, any liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes.

Our Substantial Level of Debt Could Adversely Affect Our Financial Condition and Prevent us from Fulfilling Our Obligations under the Notes and Our Other Debt.

We have, and will continue to have, substantial debt. After giving effect to the offering of the senior notes and the repayment of our term loan, we would have had total indebtedness of $250.0 million as of December 31, 2009. We are permitted under the indenture governing the notes to incur additional debt under certain conditions, including additional secured debt. If new debt were to be incurred in the future, the related risks that we now face could intensify.

Our substantial debt could have important consequences to you and significant effects on our business. For example, it could:

- result in an event of default if we fail to satisfy our obligations under the notes or our other debt or fail to comply with the financial and other restrictive covenants contained in the indenture governing the notes or agreements governing our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on the assets securing any such debt;

- require us to dedicate a substantial portion of our cash flow from our business operations to pay our debt, thereby reducing the availability of cash flow to fund working capital, capital expenditures, development projects, general operational requirements and other purposes;

- limit our ability to obtain additional financing for working capital, capital expenditures and other activities;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- place us at a competitive disadvantage compared to competitors that are not as highly leveraged; and
- negatively affect our ability to fund a change of control offer.

Any of the above-listed factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

The Indenture Governing the Notes Contain, and our Future Debt Agreements will Likely Contain, Covenants that Significantly Restrict our Operations.

The indenture governing the notes contain, and our future debt agreements will likely contain, numerous covenants imposing financial and operating restrictions on our business. These restrictions may affect our ability to operate our business, may limit our ability to take advantage of potential business opportunities as they arise and may adversely affect the conduct of our current business, including by restricting our ability to finance future operations and capital needs and by limiting our ability to engage in other business activities. These covenants will place restrictions on our ability and the ability of our operating subsidiaries to, among other things:

- pay dividends, redeem units or make other distributions with respect to equity interests, make payments with respect to subordinated indebtedness or other restricted payments;
- incur debt or issue preferred units;
- create liens;
- make certain investments;
- consolidate, merge or dispose of all or substantially all of our assets, taken as a whole;
- sell or otherwise transfer or dispose of assets, including equity interests of our subsidiaries;
- enter into sale-leaseback transactions;
- enter into transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

In addition, our future debt agreements will likely contain financial ratios and other financial conditions tests. Our ability to meet those financial ratios and tests could be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants could result in a default under such debt agreements. Upon the occurrence of an event of default under such debt agreements, our lenders under such agreements could elect to declare all amounts outstanding under such debt agreements to be immediately due and payable and terminate all commitments to extend further credit.

We are a Holding Company and Will Depend on the Business of Our Subsidiaries to Satisfy Our Obligations Under the Notes.

Each of MagnaChip Semiconductor LLC, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor B.V. is a holding company with no independent operations of its own. Our subsidiaries, including our principal manufacturing subsidiary, MagnaChip Korea, own all of our operating businesses. Our subsidiaries will conduct substantially all of the operations necessary to fund payments on the notes and our other debt. Our ability to make payments on the notes and our other

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debt will depend on our subsidiaries cash flow and their payment of funds to us. Our subsidiaries ability to make payments to us will depend on:

- their earnings;
- covenants contained in our debt agreements (including the indenture governing the notes) and the debt agreements of our subsidiaries;
- covenants contained in other agreements to which we or our subsidiaries are or may become subject;
- business and tax considerations; and
- applicable law.

We cannot assure you that the operating results of our subsidiaries at any given time will be sufficient to make distributions or other payments to us or that any distributions or payments will be adequate to pay principal and interest, and any other payments, on the notes and our other debt when due. If the issuers are not able to make payments on the notes as they become due, you may be required to pursue remedies under the guarantees of the guarantors. These guarantees may be subject to limitations on their enforceability.

Restrictions on MagnaChip Korea s Ability to Make Payments on its Intercompany Loans from MagnaChip Semiconductor B.V., or on its Ability to Pay Dividends in Excess of Statutory Limitations, Could Hinder Our Ability to Make Payments on the Notes.

The issuers anticipate that payments under the notes will be funded in part by MagnaChip Korea s repayment of its existing loans from MagnaChip Semiconductor B.V., with MagnaChip Semiconductor B.V. using such repayments in turn to repay the loans owed to MagnaChip Semiconductor S.A. Under the Korean Foreign Exchange Transaction Act, the minister of the Ministry of Strategy and Finance is authorized to temporarily suspend payments in foreign currencies in the event of natural calamities, wars, conflicts of arms, grave and sudden changes in domestic or foreign economic conditions, or other similar situations. In addition, under the Korean Commercial Code, a Korean company is permitted to make a dividend payment in accordance with the provisions in its articles of incorporation out of retained earnings (as determined in accordance with the Korean Commercial Code and the generally accepted accounting principles in Korea), but no more than twice a year. If MagnaChip Korea is prevented from making payments under its intercompany loans due to restrictions on payments of foreign currency or if it has an insufficient amount of retained earnings under the Korean Commercial Code to make dividend payments to MagnaChip Semiconductor B.V., we may not have sufficient funds to make payments on the notes.

To Service Our Debt, We will Require a Significant Amount of Cash. If We Fail to Generate Sufficient Cash Flow from Future Operations, We May Have to Refinance All or a Portion of Our Debt or Seek to Obtain Additional Financing.

We expect to obtain the funds to pay our expenses and to pay the amounts due under the notes and our other debt primarily from the operations of our subsidiaries, including our principal manufacturing subsidiary, MagnaChip Korea. Our ability to meet our expenses and make these payments thus depends on the future performance of our subsidiaries, which will be affected by financial, business, economic and other factors, many of which are beyond our control, and their payment of funds to the issuers. Our business and the business of our subsidiaries may not generate sufficient cash flow from operations in the future, our currently anticipated growth in revenue and cash flow may not be realized, and our subsidiaries, including MagnaChip Korea, may be restricted in their ability to make payments to us, any or all of which could result in us being unable to pay amounts due under our outstanding debt, including the notes, or to fund other liquidity needs, such as future capital expenditures. If we do not receive sufficient cash flow from the operations of our subsidiaries, we may be required to refinance all or part of our then existing debt (including the notes), sell assets, reduce or delay capital expenditures or borrow more money. We cannot assure you that we will be able to accomplish any of these alternatives on terms acceptable to us or at all. In addition, the terms of existing or future debt agreements, including the indenture governing the notes, may restrict us from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve any of these alternatives could materially adversely affect the value of the notes and our ability to pay the amounts due under the notes and our other debt.

We May be Unable to Repay or Repurchase the Notes.

At maturity, the entire outstanding principal amount of the notes, together with accrued and unpaid interest, will become due and payable. We may not have the funds to fulfill these obligations or the ability to refinance the obligations before they become due. If the maturity date occurs at a time when other arrangements prohibit us from repaying the notes, we would try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we could not obtain the waivers or refinance these borrowings, we would be unable to repay the notes when they become due.

A Financial Failure by Us or Any Guarantor May Hinder the Receipt of Payment on the Notes and Enforcement of Remedies Under the Guarantees.

An investment in the notes, as in any type of security, involves insolvency and bankruptcy considerations that investors should carefully consider. If we or any of the guarantors becomes a debtor subject to insolvency proceedings under the United States Bankruptcy Code or comparable provisions of other jurisdictions, it is likely to result in delays in the payment of the notes and in the exercise of enforcement remedies under the notes or the guarantees. Provisions under the United States Bankruptcy Code or general principles of equity that could result in the impairment of your rights include the automatic stay, avoidance of preferential transfers by a trustee or debtor-in-possession, substantive consolidation, limitations on collectability of unmatured interest or attorneys fees and forced restructuring of the notes.

The Notes and the Guarantees are Effectively Subordinated to all Borrowing Under Our Future Secured Credit Facilities and to All Indebtedness and Other Liabilities of Our Nonguarantor Subsidiaries.

The notes and the guarantees are effectively subordinated in right of payment to claims of our future secured creditors to the extent of the value of the assets securing such claims. We currently do not have any secured indebtedness outstanding to which the notes are effectively subordinated. Holders of our future secured obligations will have claims that are prior to the claims of holders of the notes with respect to the assets securing those obligations. In the event of a liquidation, dissolution, reorganization, bankruptcy or any similar proceeding, our assets and those of our subsidiaries will be available to pay obligations on the notes and the guarantees only after holders of any senior secured debt outstanding have been paid the value of the assets securing such obligations. Accordingly, there may not be sufficient funds remaining to pay amounts due on any or all of the notes.

In addition, not all of our subsidiaries guarantee the notes. The notes and the guarantees are effectively subordinated to the indebtedness and other liabilities (including trade payables) of any non-guarantor subsidiary and holders of the notes do not have any claim as a creditor against any nonguarantor subsidiary. Our non-guarantor subsidiaries generated approximately 98.0% and 69.2% of our aggregate consolidated revenues for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively, and as of June 30, 2010 and

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December 31, 2009 held approximately 85.1% and 87.3% of our consolidated assets and had $204.0 million and $166.2 million in total outstanding indebtedness and other liabilities, excluding intercompany liabilities.

A Court could Void the Guarantees of the Notes Under Fraudulent Transfer or Similar Laws, Which Could Limit Your Ability to Seek Repayment from the Guarantors.

Although the guarantees provide the noteholders with a direct claim against the assets of the guarantors, under the United States Bankruptcy Code and comparable provisions of the fraudulent transfer and similar laws in other applicable jurisdictions, a guarantee could be voided, or claims with respect to a guarantee could be subordinated to all other debts of that guarantor. In addition, a bankruptcy court could void (i.e., cancel) any payments by that guarantor pursuant to its guarantee and require those payments to be returned to the guarantor or to a fund for the benefit of the other creditors of the guarantor. A bankruptcy court might take these actions if it found, among other things, that when a subsidiary guarantor executed its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

- such subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of its guarantee; and

- such subsidiary guarantor:

  - was insolvent at the time of (or was rendered insolvent by) the incurrence of the guarantee;

  - was engaged or about to engage in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or

  - intended to incur, or believed that it would incur, obligations beyond its ability to pay as those obligations matured.

A bankruptcy court could find that a guarantor received less than fair consideration or reasonably equivalent value for its guarantee to the extent that it did not receive direct or indirect benefit from the issuance of the notes. A bankruptcy court could also void a guarantee if it found that the guarantor issued its guarantee with actual intent to hinder, delay, or defraud creditors. Although courts in different jurisdictions measure solvency differently, in general, an entity would be deemed insolvent if the sum of its debts, including contingent and unliquidated debts, exceeds the fair value of its assets, or if the present fair salable value of its assets is less than the amount that would be required to pay the expected liability on its debts, including contingent and unliquidated debts, as they become due. If a court voided a guarantee, it could require that noteholders return any amounts previously paid under such guarantee. If any guarantee were voided, noteholders would retain their rights against us and any other guarantors, although there is no assurance that those entities assets would be sufficient to pay the notes in full.

Any Future Guarantees Provided After the Notes are Issued Could Also Be Avoided by a Trustee in Bankruptcy.

The indenture governing the notes provides that certain of our future subsidiaries will guarantee the notes. Any future guarantee might be avoidable by the grantor or by its trustee in bankruptcy or other third parties if certain events or circumstances exist or occur. For instance, if the entity granting the future guarantee were insolvent at the time of the grant and if such grant was made within 90 days, or in certain circumstances, a longer period, before that entity commenced a bankruptcy proceeding, and the granting of the future guarantee enabled the noteholders to receive more than they would than if the grantor were liquidated under Chapter 7 of the United States Bankruptcy Code, then such guarantee could be avoided as a preferential transfer.

We May not be Able to Fulfill Our Repurchase Obligations with Respect to the Notes Upon a Change of Control or an Asset Sale.

If we experience certain change of control events, we are required by the indenture governing the notes to offer to repurchase all outstanding notes at a repurchase price equal to 101% of the principal amount of notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. In addition, under certain circumstances, if we sell assets and fail to apply the net proceeds therefrom as provided in the indenture, we must offer to repurchase the notes at a repurchase price equal to 100% of the principal amount of the notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. If a change of control event or an asset sale were to occur, we cannot assure you that we would have sufficient funds to repay the notes and all other indebtedness that we would be required to offer to purchase or that would become immediately due and payable as a result of such change of control event or asset sale. We may require additional financing from third parties to fund any such repurchases, and we cannot assure you that we would be able to obtain additional financing on satisfactory terms or at all. Our failure to repay noteholders who tender notes for repurchase following a change of control event or asset sale could result in an event of default under the indenture governing the notes. Any future indebtedness to which we become a party may also prohibit us from purchasing notes. If a change of control event or an asset sale occurs at a time when we are prohibited from purchasing notes, we may have to either seek the consent of the applicable lenders to the purchase of notes or attempt to refinance the borrowings that contain such prohibition. Our failure to obtain such a consent or to refinance such borrowings may preclude us from purchasing tendered notes and trigger an event of default under the indenture governing the notes, which may, in turn, constitute a default under other indebtedness. Finally, the events that would constitute a change of control under the indenture may also result in an event of default under our future secured credit facilities, in which case we could be required to repay our secured indebtedness before we repurchase any of the notes.

Unrestricted Subsidiaries Generally Will Not Be Subject to any of the Covenants in the Indenture, and We May not be Able to Rely on the Cash Flow or Assets of Those Unrestricted Subsidiaries to Pay Our Indebtedness.

Unrestricted subsidiaries will generally not be subject to the covenants under the indenture governing the notes, and their assets will not be available as security for the notes. Unrestricted subsidiaries may enter into financing arrangements that limit their ability to make loans or other payments to fund payments in respect of the notes. Accordingly, we may not be able to rely on the cash flow or assets of unrestricted subsidiaries to pay any of our indebtedness, including the notes.

You May be Unable to Enforce Judgments Obtained in United States Courts Against MagnaChip Semiconductor S.A. or Our Subsidiary Guarantors Organized in Jurisdictions Other than the United States.

MagnaChip Semiconductor S.A. and most of the guarantors are organized or incorporated outside of the United States and most of the assets of these companies are located outside of the United States. Because most of our assets are located outside of the United States, any judgment obtained in the United States against these companies may not be collectible in the United States. In addition, many of our executive officers and one of our directors are non-residents of the United States and it may be difficult to enforce civil liabilities in United States courts against these non-resident officers and director.

Risks Related to Our Business

We Have a History of Losses and May Not Achieve or Sustain Profitability in the Future.

Since we began operations as a separate entity in 2004, we have not generated a profit for a full fiscal year and have generated significant net losses. As of October 25, 2009, prior to our emergence

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from reorganization proceedings, we had an accumulated deficit of $964.8 million and negative unitholders equity. We may increase spending and we currently expect to incur higher expenses in each of the next several quarters to support increased research and development and sales and marketing efforts. These expenditures may not result in increased revenue or an increase in the number of customers immediately or at all. Because many of our expenses are fixed in the short term, or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales.

We Recently Emerged from Chapter 11 Reorganization Proceedings; Because Our Consolidated Financial Statements Reflect Fresh-Start Accounting Adjustments, Our Future Consolidated Financial Statements Will Not Be Comparable in Many Respects to Our Consolidated Financial Information from Prior Periods.

On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in order to obtain relief from our debt, which was $845 million as of December 31, 2008. Our plan of reorganization became effective on November 9, 2009. In connection with our emergence from the reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852 effective from October 25, 2009, which had a material effect on our consolidated financial statements. Thus, our future consolidated financial statements will not be comparable in many respects to our consolidated financial statements for periods prior to our adoption of fresh-start accounting and prior to accounting for the effects of the reorganization proceedings. Our past financial difficulties and bankruptcy filing may have harmed, and may continue to have a negative effect on, our relationships with investors, customers and suppliers.

Our Independent Registered Public Accounting Firm Identified Two Control Deficiencies which Represent a Material Weakness in Our Internal Control Over Financial Reporting in Connection with Our Audits for the Ten-Month Period Ended October 25, 2009 and the Two-Month Period Ended December 31, 2009. If We Fail to Effectively Remediate this Weakness and Maintain Effective Internal Control Over Financial Reporting in the Future, the Accuracy and Timing of Our Financial Reporting May be Adversely Affected.

In connection with the audit of our consolidated financial statements for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009, our independent registered public accounting firm reported two control deficiencies, which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee) are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and that our internal controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded.

We have identified and are taking steps intended to remediate this material weakness. Upon being notified of the material weakness, we retained the services of an international accounting firm to temporarily supplement our internal resources. We also recently recruited a director of financial reporting who has experience in public reporting in the US security markets and overseeing internal control pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Although we believe we have lowered the possibility of our finance and accounting organization being unable for any reason to respond adequately to the increased demands that result from being a public company, the quality and timeliness of our financial reporting may still suffer, which could result in the identification of additional material weaknesses in our internal controls. Any consequences resulting from inaccuracies or delays in our reported financial statements could have an adverse effect on our business, operating results and financial condition, our ability to run our business effectively and our ability to meet our financial

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reporting requirements, and could cause investors to lose confidence in our financial reporting. Our management is committed to undertaking any additional remediation initiatives required to prevent inaccuracies or delays in our reported financial statements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures.

We Operate in the Highly Cyclical Semiconductor Industry, Which is Subject to Significant Downturns that May Negatively Impact Our Results of Operations.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, short product life cycles (for semiconductors and for the end-user products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns, including the recent economic downturn, have been characterized by diminished demand for end-user products, high inventory levels, underutilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes. This may reduce our results of operations.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses is relatively fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter.

If We Fail to Develop New Products and Process Technologies or Enhance Our Existing Products and Services in Order to React to Rapid Technological Change and Market Demands, our Business Will Suffer.

Our industry is subject to constant and rapid technological change and product obsolescence as customers and competitors create new and innovative products and technologies. Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive, and we may not be able to access advanced process technologies, including smaller geometries, or to license or otherwise obtain essential intellectual property required by our customers.

We must develop new products and services and enhance our existing products and services to meet rapidly evolving customer requirements. We design products for customers who continually require higher performance and functionality at lower costs. We must, therefore, continue to enhance the performance and functionality of our products. The development process for these advancements is lengthy and requires us to accurately anticipate technological changes and market trends. Developing and enhancing these products is uncertain and can be time-consuming, costly and complex. If we do not continue to develop and maintain process technologies that are in demand by our semiconductor manufacturing services customers, we may be unable to maintain existing customers or attract new customers.

Customer and market requirements can change during the development process. There is a risk that these developments and enhancements will be late, fail to meet customer or market specifications or not be competitive with products or services from our competitors that offer comparable or superior performance and functionality. Any new products, such as our new line of power management solutions, which we began marketing in 2008, or product or service enhancements, may not be accepted in new or existing markets. Our business will suffer if we fail to develop and introduce new products and services or product and service enhancements on a timely and cost-effective basis.

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We Manufacture Our Products Based on Our Estimates of Customer Demand, and if Our Estimates Are Incorrect Our Financial Results Could be Negatively Impacted.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements based on our estimates of customer demand and expected demand for and success of their products. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to estimate accurately future customer demand for our products. On occasion, customers may require rapid increases in supply, which can challenge our production resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit.

Our Customers May Cancel their Orders, Reduce Quantities or Delay Production, which Would Adversely Affect Our Margins and Results of Operations.

We generally do not obtain firm, long-term purchase commitments from our customers. Customers may cancel their orders, reduce quantities or delay production for a number of reasons. Cancellations, reductions or delays by a significant customer or by a group of customers, which we have experienced as a result of periodic downturns in the semiconductor industry or failure to achieve design wins, have affected and may continue to affect our results of operations adversely. These risks are exacerbated because many of our products are customized, which hampers our ability to sell excess inventory to the general market. We may incur charges resulting from the write-off of obsolete inventory. In addition, while we do not obtain long-term purchase commitments, we generally agree to the pricing of a particular product over a set period of time. If we underestimate our costs when determining pricing, our margins and results of operations would be adversely affected.

We Depend on High Utilization of Our Manufacturing Capacity, a Reduction of Which Could Have a Material Adverse Effect on Our Business, Financial Condition and the Results of Our Operations.

An important factor in our success is the extent to which we are able to utilize the available capacity in our fabrication facilities. As many of our costs are fixed, a reduction in capacity utilization, as well as changes in other factors, such as reduced yield or unfavorable product mix, could reduce our profit margins and adversely affect our operating results. A number of factors and circumstances may reduce utilization rates, including periods of industry overcapacity, low levels of customer orders, operating inefficiencies, mechanical failures and disruption of operations due to expansion or relocation of operations, power interruptions and fire, flood or other natural disasters or calamities. The potential delays and costs resulting from these steps could have a material adverse effect on our business, financial condition and results of operations.

A Significant Portion of Our Sales Comes from a Relatively Limited Number of Customers, the Loss of Which Would Adversely Affect Our Financial Results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high-volume products or services, our financial results would be adversely affected. Net sales to our ten largest customers represented 64%, 66%, 69% and 63% of our net sales for the six months ended June 30, 2010, the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008, respectively. LG Display represented 19% and 26% of our net

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sales and a substantial portion of the net sales generated by our top ten customers for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009. Significant reductions in sales to any of these customers, especially our few largest customers, the loss of other major customers or a general curtailment in orders for our high-volume products or services within a short period of time would adversely affect our business.

The Average Selling Prices of Our Semiconductor Products Have at Times Declined Rapidly and Will Likely Do So in the Future, Which Could Harm Our Revenue and Gross Profit.

The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross profit to decrease. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products on a timely basis with higher selling prices or gross profit.

Our Industry is Highly Competitive and Our Ability to Compete Could Be Negatively Impacted by a Variety of Factors.

The semiconductor industry is highly competitive and includes hundreds of companies, a number of which have achieved substantial market share both within our product categories and end markets. Current and prospective customers for our products and services evaluate our capabilities against the merits of our competitors. Some of our competitors are well established as independent companies and have substantially greater market share and manufacturing, financial, research and development and marketing resources than we do. We also compete with emerging companies that are attempting to sell their products in certain of our end markets and with the internal semiconductor design and manufacturing capabilities of many of our significant customers. We expect to experience continuing competitive pressures in our markets from existing competitors and new entrants.

Any consolidation among our competitors could enhance their product offerings and financial resources, further enhancing their competitive position. Our ability to compete will depend on a number of factors, including the following:

- our ability to offer cost-effective and high quality products and services on a timely basis using our technologies;
- our ability to accurately identify and respond to emerging technological trends and demand for product features and performance characteristics;
- our ability to continue to rapidly introduce new products that are accepted by the market;
- our ability to adopt or adapt to emerging industry standards;
- the number and nature of our competitors and competitiveness of their products and services in a given market;
- entrance of new competitors into our markets;
- our ability to enter the highly competitive power management market; and
- our ability to continue to offer in demand semiconductor manufacturing services at competitive prices.

Many of these factors are outside of our control. In the future, our competitors may replace us as a supplier to our existing or potential customers, and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and results of operations.

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Changes in Demand for Consumer Electronics in Our End Markets Can Impact Our Results of Operations.

Demand for our products will depend in part on the demand for various consumer electronics products, in particular, mobile phones and multimedia devices, digital televisions, flat panel displays, mobile PCs and digital cameras, which in turn depends on general economic conditions and other factors beyond our control. If our customers fail to introduce new products that employ our products or component parts, demand for our products will suffer. To the extent that we cannot offset periods of reduced demand that may occur in these markets through greater penetration of these markets or reduction in our production and costs, our sales and gross profit may decline, which would negatively impact our business, financial condition and results of operations.

If We Fail to Achieve Design Wins for Our Semiconductor Products, We May Lose the Opportunity for Sales to Customers for a Significant Period of Time and be Unable to Recoup Our Investments in Our Products.

We expend considerable resources on winning competitive selection processes, known as design wins, to develop semiconductor products for use in our customers products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. Once a customer designs a semiconductor into a product, that customer is likely to continue to use the same semiconductor or enhanced versions of that semiconductor from the same supplier across a number of similar and successor products for a lengthy period of time due to the significant costs associated with qualifying a new supplier and potentially redesigning the product to incorporate a different semiconductor. If we fail to achieve an initial design win in a customer s qualification process, we may lose the opportunity for significant sales to that customer for a number of products and for a lengthy period of time. This may cause us to be unable to recoup our investments in our semiconductor products, which would harm our business.

We Have Lengthy and Expensive Design-To-Mass Production and Manufacturing Process Development Cycles that May Cause Us to Incur Significant Expenses Without Realizing Meaningful Sales, the Occurrence of Which Would Harm Our Business.

The cycle time from the design stage to mass production for some of our products is long and requires the investment of significant resources with many potential customers without any guarantee of sales. Our design-to-mass production cycle typically begins with a three-to-twelve month semiconductor development stage and test period followed by a three-to-twelve month end-product qualification period by our customers. The fairly lengthy front end of our sales cycle creates a risk that we may incur significant expenses but may be unable to realize meaningful sales. Moreover, prior to mass production, customers may decide to cancel their products or change production specifications, resulting in sudden changes in our product specifications, increasing our production time and costs. Failure to meet such specifications may also delay the launch of our products or result in lost sales.

In addition, we collaborate and jointly develop certain process technologies and manufacturing process flows custom to certain of our semiconductor manufacturing services customers. To the extent that our semiconductor manufacturing services customers fail to achieve market acceptance for their products, we may be unable to recoup our engineering resources commitment and our investment in process technology development, which would harm our business.

Research and Development Investments May not Yield Profitable and Commercially Viable Product and Service Offerings and thus Will Not Necessarily Result in Increases in Revenues for us.

We invest significant resources in our research and development. Our research and development efforts, however, may not yield commercially viable products or enhance our semiconductor

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manufacturing services offerings. During each stage of research and development there is a substantial risk that we will have to abandon a potential product or service offering that is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products or service offerings, a significant amount of time will have elapsed between our investment in the necessary research and development effort and the receipt of any related revenues.

We Face Numerous Challenges Relating to Executing Our Growth Strategy, and if We are Unable to Execute Our Growth Strategy Effectively, Our Business and Financial Results Could Be Materially and Adversely Affected.

Our growth strategy is to leverage our advanced analog and mixed-signal technology platform, continue to innovate and deliver new products and services, increase business with existing customers, broaden our customer base, aggressively grow our power business, drive execution excellence and focus on specialty process technologies. As part of our growth strategy, we began marketing a new line of power management semiconductor products in 2008 and expect to introduce other new products and services in the future. If we are unable to execute our growth strategy effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities and our business and financial results could be materially and adversely affected.

We are Subject to Risks Associated with Currency Fluctuations, and Changes in the Exchange Rates of Applicable Currencies Could Impact Our Results of Operations.

Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, a depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Fluctuations in foreign currency exchange rates also impact the reporting of our receivables and payables in non-U.S. currencies. Foreign currency fluctuations had a materially beneficial impact on our results of operations in the fiscal year ended December 31, 2008 relative to the fiscal year ended December 31, 2007, as well as in the combined twelve-month period ended December 31, 2009 relative to the fiscal year ended December 31, 2008. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock following the completion of the MagnaChip Corporation IPO or the notes could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. For example, in January 2010 and May 2010 our Korean subsidiary entered into foreign currency option and forward contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. The January 2010 option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during each month of 2010 commencing February 2010 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. The May 2010 option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during the months of January 2011 through June 2011 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. In August 2010 our Korean subsidiary additionally entered into zero cost collar contracts for the same purpose as the above hedge contracts. The August 2010 zero cost collar contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during the months of July 2011 through December 2011 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. Obligations under these foreign currency option and forward contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These option and forward contracts may be terminated by the counterparty in a number of circumstances, including if our long-term debt rating falls below B-/B3 or if our total cash and cash equivalents is less than $30 million at the end of a fiscal quarter. We cannot assure you that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting our Results of Operations.

The Global Recession and Related Financial Crisis Negatively Affected Our Business. Poor Economic Conditions May Negatively Affect Our Future Business, Results of Operations and Financial Condition.

The global recession and related financial crisis led to slower economic activity, increased unemployment, concerns about inflation and energy costs, decreased business and consumer confidence, reduced corporate profits and capital spending, adverse business conditions and lower levels of liquidity in many financial markets. Consumers and businesses deferred purchases in response to tighter credit and negative financial news, which has in turn negatively affected product demand and other related matters. The global recession led to reduced customer spending in the semiconductor market and in our target markets, made it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and caused U.S. and foreign businesses to slow spending on our products. Although recently there have been indications of improved economic conditions generally and in the semiconductor industry specifically, we cannot assure you of the extent to which such conditions will continue to improve or whether the improvement will be sustainable. If the global economic recovery is not sustained or the global economy experiences another recession, such adverse economic conditions could lead to the insolvency of key suppliers resulting in product delays, limit the ability of customers to obtain credit to finance purchases of our products, lead to customer insolvencies, and also result in counterparty failures that may negatively impact our treasury operations. As a result, our business, financial condition and result of operations could be materially adversely affected in future periods as a result of economic downturns.

The Loss of Our Key Employees Would Materially Adversely Affect Our Business, and We May Not Be Able to Attract or Retain the Technical or Management Employees Necessary to Compete in Our Industry.

Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives, including our Chief Executive Officer and Chairman, Sang Park. The loss of such key personnel would have a material adverse effect on our business. In addition, our future success depends on our ability to attract and retain skilled technical and managerial personnel. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel could have a material adverse effect on our business, financial condition and results of operations. This could hinder our research and product development programs or otherwise have a material adverse effect on our business.

If We Encounter Future Labor Problems, We May Fail to Deliver Our Products and Services in a Timely Manner, which Could Adversely Affect Our Revenues and Profitability.

As of August 31, 2010, 2,203 employees, or approximately 65.2 of our employees, were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We can offer no assurance that issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience work stoppages or other labor problems in future years or that we will not incur significant expenses related to such issues.

We May Incur Costs to Engage in Future Business Combinations or Strategic Investments, and We May Not Realize the Anticipated Benefits of Those Transactions.

As part of our business strategy, we may seek to enter into business combinations, investments, joint ventures and other strategic alliances with other companies in order to maintain and grow revenue and market presence as well as to provide us with access to technology, products and services. Any such transaction would be accompanied by risks that may harm our business, such as difficulties in assimilating the operations, personnel and products of an acquired business or in realizing the projected benefits, disruption of our ongoing business, potential increases in our indebtedness and contingent liabilities and charges if the acquired company or assets are later determined to be worth less than the amount paid for them in an earlier original acquisition. In addition, our indebtedness may restrict us from making acquisitions that we may otherwise wish to pursue.

The Failure to Achieve Acceptable Manufacturing Yields Could Adversely Affect Our Business.

The manufacture of semiconductors involves highly complex processes that require precision, a highly regulated and sterile environment and specialized equipment. Defects or other difficulties in the manufacturing process can prevent us from achieving acceptable yields in the manufacture of our products or those of our semiconductor manufacturing services customers, which could lead to higher costs, a loss of customers or delay in market acceptance of our products. Slight impurities or defects in the photomasks used to print circuits on a wafer or other factors can cause significant difficulties, particularly in connection with the production of a new product, the adoption of a new manufacturing process or any expansion of our manufacturing capacity and related transitions. We may also experience manufacturing problems in achieving acceptable yields as a result of, among other things, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies. Yields below our target levels can negatively impact our gross profit and may cause us to eliminate underperforming products.

We Rely on a Number of Independent Subcontractors and the Failure of Any of These Independent Subcontractors to Perform as Required Could Adversely Affect Our Operating Results.

A substantial portion of our net sales are derived from semiconductor devices assembled in packages or on film. The packaging and testing of semiconductors require technical skill and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea, China, Taiwan, Malaysia and Thailand. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels. We could be adversely affected by political disorders, labor disruptions, and natural disasters where our subcontractors are located. If our semiconductor packagers and test service providers experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems or decrease the capacity available to us, our operating results could be adversely affected.

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We Depend on Successful Parts and Materials Procurement for Our Manufacturing Processes, and a Shortage or Increase in the Price of These Materials Could Interrupt Our Operations and Result in a Decline of Revenues and Results of Operations.

We procure materials and electronic and mechanical components from international sources and original equipment manufacturers. We use a wide range of parts and materials in the production of our semiconductors, including silicon, processing chemicals, processing gases, precious metals and electronic and mechanical components, some of which, such as silicon wafers, are specialized raw materials that are generally only available from a limited number of suppliers. We do not have long-term agreements providing for all of these materials, thus, if demand increases or supply decreases, the costs of our raw materials could significantly increase. For example, worldwide supplies of silicon wafers, an important raw material for the semiconductors we manufacture, were constrained in recent years due to an increased demand for silicon. Silicon is also a key raw material for solar cells, the demand for which has increased in recent years. Although supplies of silicon have recently improved due to the entrance of additional suppliers and capacity expansion by existing suppliers, we cannot assure you that such supply increases will match demand increases. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, revenues and results of operations will decline.

We Face Warranty Claims, Product Return, Litigation and Liability Risks and the Risk of Negative Publicity if Our Products Fail.

Our semiconductors are incorporated into a number of end products, and our business is exposed to product return, warranty and product liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for product liability claims, the amount and scope of our insurance may not be adequate to cover a product liability claim that is asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms, or at all.

In addition, we are exposed to the product liability risk and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers products. Further, if our products are delivered with impurities or defects, we could incur additional development, repair or replacement costs, and our credibility and the market s acceptance of our products could be harmed.

We could Suffer Adverse Tax and Other Financial Consequences as a Result of Changes in, or Differences in the Interpretation of, Applicable Tax Laws.

Our company organizational structure was created in part based on certain interpretations and conclusions regarding various tax laws, including withholding tax, and other tax laws of applicable jurisdictions. Our Korean subsidiary, MagnaChip Semiconductor, Ltd., or MagnaChip Korea, was granted a limited tax holiday under Korean law in October 2004. This grant provided for certain tax exemptions for corporate taxes and withholding taxes until December 31, 2008, and for acquisition taxes, property and land use taxes and certain other taxes until December 31, 2013. Our interpretations and conclusions regarding tax laws, however, are not binding on any taxing authority and, if these interpretations and conclusions are incorrect, if our business were to be operated in a way that rendered us ineligible for tax exemptions or caused us to become subject to incremental tax, or if the authorities were to change, modify, or have a different interpretation of the relevant tax laws, we could suffer adverse tax and other financial consequences and the anticipated benefits of our organizational structure could be materially impaired.

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Our Ability to Compete Successfully and Achieve Future Growth will Depend, in Part, on Our Ability to Protect Our Proprietary Technology and Know-How, as Well as Our Ability to Operate Without Infringing the Proprietary Rights of Others.

We seek to protect our proprietary technologies and know-how through the use of patents, trade secrets, confidentiality agreements and other security measures. The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. We cannot assure you that other countries in which we market our services will protect our intellectual property rights to the same extent as the United States. In particular, the validity, enforceability and scope of protection of intellectual property in China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are uncertain and still evolving and historically have not protected and may not protect in the future, intellectual property rights to the same extent as do the laws and enforcement procedures in the United States.

Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others. We have no means of knowing what patent applications have been filed in the United States until they are published. In addition, the semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may need to file lawsuits to enforce our patents or intellectual property rights, and we may need to defend against claimed infringement of the rights of others. Any litigation could result in substantial costs to us and divert our resources. Despite our efforts in bringing or defending lawsuits, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. In the event of an adverse outcome in any such litigation, we may be required to:

- pay substantial damages or indemnify customers or licensees for damages they may suffer if the products they purchase from us or the technology they license from us violate the intellectual property rights of others;
- stop our manufacture, use, sale or importation of infringing products; expend significant resources to develop or acquire non-infringing technologies;
- discontinue processes; or
- obtain licenses to the intellectual property we are found to have infringed.

There can be no assurance that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all. The termination of key third party licenses relating to the use of intellectual property in our products and our design processes, such as our agreements with Silicon Works Co., Ltd. and ARM Limited, would materially and adversely affect our business.

Our competitors may develop, patent or gain access to know-how and technology similar to our own. In addition, many of our patents are subject to cross licenses, several of which are with our competitors. The noncompetition arrangement agreed to by Hynix in connection with the Original Acquisition expired on October 1, 2007. Under that arrangement, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Now that these noncompetition restrictions have expired, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

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Our Expenses Could Increase if Hynix were Unwilling or Unable to Provide Certain Services Related to Our Shared Facilities with Hynix, and if Hynix Were to Become Insolvent, we Could Lose Certain of Our Leases.

We are party to a land lease and easement agreement with Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea. If this agreement were terminated for any reason, including the insolvency of Hynix, we would have to renegotiate new lease terms with Hynix or the new owner of the land. We cannot assure you that we could negotiate new lease terms on favorable terms or at all. Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix under our general service supply agreement with Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. If any of our agreements with Hynix were terminated or if Hynix were unwilling or unable to fulfill its obligations to us under the terms of these agreements, we would have to procure these services on our own and as a result may experience an increase in our expenses.

We are Subject to Many Environmental Laws and Regulations that Could Affect Our Operations or Result in Significant Expenses.

We are subject to requirements of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, change frequently and have tended to become more stringent over time. There can be no assurance that we have been, or will be, in compliance with all such laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

Our Korean Subsidiary has been Designated as a Regulated Business Under Korean Environmental Law, and Such Designation Could Have an Adverse Effect on our Financial Position and Results of Operations.

In April 2010, the Korean government s Enforcement Decree to the Framework Act on Low Carbon Green Growth, or the Enforcement Decree, became effective. Businesses that exceed 25,000 tons of greenhouse gas emissions and 100 terajoules of energy consumption for the prior three years will be subject to regulation and will be required to submit plans to reduce greenhouse emissions and energy consumption as well as performance reports and will be subject to government requirements to take further action. Our Korean subsidiary meets the thresholds under the Enforcement Decree and was designated as a regulated business on September 28, 2010. Our Korean subsidiary will have until September 2011 and December 2011 to cooperate and negotiate with Korean governmental authorities to set reduction targets and draft an implementation plan, respectively. If the ultimate implementation plan agreed upon with Korean governmental authorities requires us to reduce our emissions or energy consumption, we could be subject to additional and potentially costly compliance or remediation expenses, including potentially the installation of equipment and changes in the type of materials we use in manufacturing, that could adversely affect our financial position and results of operations.

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We Will Likely Need Additional Capital in the Future, and Such Capital May Not Be Available on Acceptable Terms or at All, Which Would Have a Material Adverse Effect on Our Business, Financial Condition and Results of Operations.

We will likely require more capital in the future from equity or debt financings to fund operating expenses, such as research and development costs, finance investments in equipment and infrastructure, acquire complementary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. Additional capital may not be available when needed or, if available, may not be available on favorable terms. If the MagnaChip Corporation IPO is not completed and MagnaChip Corporation does not become a public company, our ability to raise additional capital, particularly equity capital, will be constrained due to our inability to access the public markets directly. In addition, our indebtedness limits our ability to incur additional indebtedness under certain circumstances. If we are unable to obtain capital on favorable terms, or if we are unable to obtain capital at all, we may have to reduce our operations or forego opportunities, and this may have a material adverse effect on our business, financial condition and results of operations.

Our Business Depends on International Customers, Suppliers and Operations in Asia, and as a Result We are Subject to Regulatory, Operational, Financial and Political Risks, Which Could Adversely Affect Our Financial Results.

We rely on, and expect to continue to rely on, suppliers, subcontractors and operations located primarily in Asia. As a result, we face risks inherent in international operations, such as unexpected changes in regulatory requirements, tariffs and other market barriers, political, social and economic instability, adverse tax consequences, war, civil disturbances and acts of terrorism, difficulties in accounts receivable collection, extended payment terms and differing labor standards, enforcement of contractual obligations and protection of intellectual property. These risks may lead to increased costs or decreased revenue growth, or both. Although we do not derive any revenue from, nor sell any products in, North Korea, any future increase in tensions between South Korea and North Korea that may occur, such as an outbreak of military hostilities, would adversely affect our business, financial condition and results of operations.

You may not be Able to Bring an Action or Enforce Any Judgment Obtained in United States Courts, or Bring an Action in any Other Jurisdiction, Against us or Our Subsidiaries or Our Directors, Officers or Independent Auditors that are Organized or Residing in Jurisdictions Other than the United States.

Most of our subsidiaries are organized or incorporated outside of the United States and some of our directors and executive officers as well as our independent auditors are organized or reside outside of the United States. Most of our and our subsidiaries assets are located outside of the United States and in particular, in Korea. Accordingly, any judgment obtained in the United States against us or our subsidiaries may not be collectible in the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or us court judgments obtained in the United States that are predicated upon the civil liability provisions of the federal securities laws of the United States or of the securities laws of any state of the United States. In particular, there is doubt as to the enforceability in Korea or any other jurisdictions outside the United States, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the federal securities laws of the United States or the securities laws of any state of the United States.

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Our Level of Indebtedness is Substantial, and we May not be Able to Generate Sufficient Cash to Service All of Our Indebtedness and May be Forced to Take Other Actions to Satisfy Our Obligations Under Our Indebtedness, which May Not Be Successful. A Decline in the Ratings of Our Existing or Future Indebtedness May Make the Terms of Any New Indebtedness We Choose to Incur More Costly.

As of June 30, 2010, our total indebtedness was $246.7 million. See Capitalization for additional information. Our substantial debt could have important consequences, including:

- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who have less debt.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will generate a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

The credit ratings assigned to our debt reflect each rating agency s opinion of our ability to make payments on the debt obligations when such payments are due. The current rating of our senior notes is B2 by Moody s and B+ by Standard and Poors, both of which are below investment grade. A rating may be subject to revision or withdrawal at any time by the assigning rating agency. We may experience downgrades in our debt ratings in the future. Any lowering of our debt ratings would adversely impact our ability to raise additional debt financing and increase the cost of any such financing that is obtained. In the event any ratings downgrades are significant, we may choose not to incur new debt or refinance existing debt if we are unable to incur or refinance such debt at favorable interest rates or on favorable terms.

If our cash flows and capital resources are insufficient to fund our debt service obligations or if we are unable to refinance existing indebtedness on favorable terms, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The indentures governing our notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or be able to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Investor Confidence may be Adversely Impacted if we are Required and Unable to Comply with Section 404 of the Sarbanes-Oxley Act of 2002, and as a Result, the Price of Our Securities Could Decline.

Beginning with our fiscal year ending December 31, 2011, we will be subject to rules adopted by the Securities Exchange Commission, or SEC, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, which require us to include in our Annual Report on Form 10-K our management s report on, and assessment of the effectiveness of, our internal controls over financial reporting. In the event we complete the MagnaChip Corporation IPO, we may also in the future

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become subject to the requirement that our independent auditors attest to and report on the effectiveness of our internal control over financial reporting. In connection with audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies that existed prior to their review, which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and that our controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded. If we fail to achieve and maintain the adequacy of our internal controls, there is a risk that we will not comply with all of the requirements imposed by Section 404. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements and could result in investigations or sanctions by the SEC, the New York Stock Exchange, or NYSE (assuming the completion of the MagnaChip Corporation IPO), or other regulatory authorities or in stockholder litigation. Any of these factors ultimately could harm our business and could negatively impact the market price of our securities. Ineffective control over financial reporting could also cause investors to lose confidence in our reported financial information, which could adversely affect the trading price of our securities.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

We May Need to Incur Impairment and Other Restructuring Charges, Which Could Materially Affect Our Results of Operations and Financial Conditions.

During industry downturns and for other reasons, we may need to record impairment or restructuring charges. From April 4, 2005 through June 30, 2010, we recognized aggregate restructuring and impairment charges of $64.3 million, which consisted of $58.7 million of impairment charges and $5.6 million of restructuring charges. In the future, we may need to record additional impairment charges or to further restructure our business or incur additional restructuring charges, any of which could have a material adverse effect on our results of operations or financial condition.

We are Subject to Litigation Risks, Which May be Costly to Defend and the Outcome of Which is Uncertain.

All industries, including the semiconductor industry, are subject to legal claims, with and without merit, that may be particularly costly and which may divert the attention of our management and our resources in general. We are involved in a variety of legal matters, most of which we consider routine matters that arise in the normal course of business. These routine matters typically fall into broad categories such as those involving customers, employment and labor and intellectual property. Even if the final outcome of these legal claims does not have a material adverse effect on our financial position, results of operations or cash flows, defense and settlement costs can be substantial. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows.

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INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information regarding the semiconductor market from iSuppli Corporation, or iSuppli, and Gartner, Inc., or Gartner. Market data attributed to iSuppli is from Display Driver ICs Q4 2009 Market Tracker and Power Management Q4 2009 Market Tracker and market data attributed to Gartner is from Semiconductor Forecast Worldwide: Forecast Database, 24 Feb 2010. Although we believe that this information is reliable, we have not independently verified it. We do not have any obligation to announce or otherwise make publicly available updates or revisions to forecasts contained in these documents. In addition, in many cases, we have made statements in this prospectus regarding our industry and our position in the industry based on our experience in the industry and our own investigation of market conditions.

SPECIAL CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Information concerning us and this offering is subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements may include words such as anticipate, estimate, expect, project, intend, plan, believe and other words and terms of similar meaning in connection with any discussion of the tim nature of future operating or financial performance or other events. All statements other than statements of historical facts included in this prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements.

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in the Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business sections and elsewhere in this prospectus.

All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information or future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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RATIO OF EARNINGS TO FIXED CHARGES

The financial information provided in the following table should be read in conjunction with our consolidated financial statements and the related notes, appearing elsewhere in this prospectus. The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

	Successor		Predecessor					
	Six Months Ended June 30, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Six Months Ended June 28, 2009	Years Ended December 31, 2008	2007	2006	2005
Ratio of earnings to fixed charges	1.2		21.2					

The ratio of earnings to fixed charges is computed by dividing (i) income (loss) from continuing operations before income taxes plus fixed charges by (ii) fixed charges. Our fixed charges consist of the portion of operating lease rental expense that is representative of the appropriate interest factor and interest expense on indebtedness.

Where a dash appears, our earnings were negative and were insufficient to cover fixed charges during the period. Our deficiencies to cover fixed charges in each period presented were as follows:

	Successor	Predecessor				
	Two-Month Period Ended December 31, 2009	Six Months Ended June 28, 2009	Years Ended December 31, 2008	2007	2006	2005
	(In millions)					
Deficiencies	$ 0.5	$ 41.6	$ 327.5	$ 132.0	$ 78.8	$ 119.2

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USE OF PROCEEDS

We will not receive any proceeds from the resale of the notes offered by this prospectus.

DIVIDEND POLICY

We do not intend to pay any cash dividends or distributions on our common units in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay cash dividends or distributions in the future will be at the discretion of our board of directors. The payment of cash dividends or distributions on our common units is restricted under the terms of the indenture governing our senior notes.

On April 19, 2010, we made a $130.7 million cash distribution to our unitholders using proceeds from the sale of our senior notes. The per common unit distribution was $0.4254.

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CAPITALIZATION

The following table sets forth the actual capitalization of MagnaChip Semiconductor LLC as of June 30, 2010.

This table should be read together with Selected Historical Consolidated Financial and Operating Data, Unaudited Pro Forma Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2010 (In millions)
Indebtedness (including current maturities)	
10.500% senior notes due 2018(1)	$ 246.7
Unitholders equity:	
Common units, no par value; 375,000,000 units authorized, 307,233,996 units issued and outstanding	55.5
Additional paid-in capital	39.2
Retained earnings	(1.6)
Accumulated other comprehensive loss	8.9
Total unitholders equity	101.9
Total capitalization	$ 348.6

(1) Represents principal amount of notes net of original issue discount of $3.3 million.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth selected historical consolidated financial data of MagnaChip Semiconductor LLC on or as of the dates and for the periods indicated. The selected historical consolidated financial data presented below should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the notes to those consolidated financial statements, appearing elsewhere in this prospectus.

We have derived the selected consolidated financial data as of December 31, 2009 and 2008 and for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the years ended December 31, 2008 and 2007 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC included elsewhere in this prospectus. We have derived the unaudited consolidated statement of operations data for the six months ended June 30, 2010 and June 28, 2009 from the unaudited interim consolidated financial statements of MagnaChip Semiconductor LLC included elsewhere in this prospectus. We have derived the selected consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC not included in this prospectus. We have derived the selected consolidated financial data as of June 30, 2010 from the unaudited interim consolidated financial statements of MagnaChip Semiconductor LLC included elsewhere in this prospectus. We derived the unaudited consolidated balance sheet data as of June 28, 2009 from our unaudited interim consolidated financial statements not included in this prospectus. The historical results of MagnaChip Semiconductor LLC for any prior period are not necessarily indicative of the results to be expected in any future period, and financial results for any interim period are not necessarily indicative of results for a full year.

In connection with our emergence from reorganization proceedings, we implemented fresh-start accounting in accordance with applicable ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with the ASC 852 governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting and write-off of debt issuance costs. As a result of the application of fresh-start accounting, our financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the financial statements of our post-reorganization successor company. As a result of the application of fresh-start accounting, the financial statements prior to and including October 25, 2009 are not fully comparable with the financial statements for periods on or after October 25, 2009.

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	Successor(1)		Predecessor					
	Six Months Ended June 30, 2010*	Two-Month Period Ended December 31, 2009**	Ten-Month Period Ended October 25, 2009**	Six Months Ended June 28, 2009*	Years Ended December 31, 2008**	2007**	2006**	2005**
	(In millions, except per common unit data)							
Statements of Operations Data:								
Net sales	$ 374.2	$ 111.1	$ 449.0	$ 241.2	$ 601.7	$ 709.5	$ 683.9	$ 774.3
Cost of sales	260.3	90.4	311.1	171.9	445.3	578.9	580.4	591.1
Gross profit	113.9	20.7	137.8	69.2	156.4	130.7	103.4	183.2
Selling, general and administrative Expenses	33.9	14.5	56.3	33.6	81.3	82.7	76.1	119.4
Research and development expenses	41.1	14.7	56.1	33.2	89.5	90.8	87.2	96.1
Restructuring and impairment charges	0.6		0.4	0.4	13.4	12.1	1.7	36.1
Operating income (loss) from continuing Operations	38.3	(8.6)	25.0	1.9	(27.7)	(54.9)	(61.6)	(68.4)
Interest expense, net	(8.6)	(1.3)	(31.2)	(27.5)	(76.1)	(60.3)	(57.2)	(57.2)
Foreign currency gain (loss), net	(26.7)	9.3	43.4	(9.4)	(210.4)	(4.7)	50.9	16.5
Reorganization items, net			804.6	(0.3)				
Others	(1.0)							
	(36.3)	8.1	816.8	(37.3)	(286.5)	(65.0)	(6.3)	(40.7)
Income (loss) from continuing operations before income taxes	2.1	(0.5)	841.8	(35.3)	(314.3)	(120.0)	(67.9)	(109.1)
Income tax expenses	1.7	1.9	7.3	5.0	11.6	8.8	9.1	2.0
Income (loss) from continuing Operations	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)	(76.9)	(111.1)
Income (loss) from discontinued operations, net of taxes		0.5	6.6	(1.8)	(91.5)	(51.7)	(152.4)	10.2
Net income (loss)	$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)	$ (229.3)	$ (100.9)
Dividends accrued on preferred units			6.3	6.3	13.3	12.0	10.9	9.9
Income (loss) from continuing operations attributable to common units	$ 0.4	$ (2.5)	$ 828.2	$ (46.6)	$ (339.1)	$ (140.9)	$ (87.9)	$ (121.1)
Net income (loss) attributable to common Units	$ 0.4	$ (2.0)	$ 834.8	$ (48.4)	$ (430.6)	$ (192.6)	$ (240.2)	$ (110.8)
Per unit data:								
Earnings (loss) from continuing operations per common unit Basic and diluted	$ 0.00	$ (0.01)	$ 15.65	$ (0.88)	$ (6.43)	$ (2.69)	$ (1.66)	$ (2.29)
Earnings (loss) from discontinued operations per common unit Basic and diluted	$	$ 0.00	$ 0.12	$ (0.03)	$ (1.73)	$ (0.99)	$ (2.88)	$ 0.19
Earnings (loss) per common unit Basic and diluted	$ 0.00	$ (0.01)	$ 15.77	$ (0.91)	$ (8.16)	$ (3.68)	$ (4.54)	$ (2.10)
Weighted average number of common units								
Basic	302.501	300.863	52.923	52.923	52.769	52.297	52.912	52.898
Diluted	312.480	300.863	52.923	52.923	52.769	52.297	52.912	52.898
Balance Sheet Data (at period end):								
Cash and cash equivalents	$ 141.3	$ 64.9		$ 9.4	$ 4.0	$ 64.3	$ 89.2	$ 86.6
Total assets	566.0	453.3		396.4	399.2	707.9	770.1	1,040.6
Total indebtedness(2)	246.7	61.8		845.0	845.0	830.0	750.0	750.0
Long-term obligations(3)	247.0	61.5		899.4	143.2	879.4	867.4	856.7
Unitholders equity	101.9	215.7		(831.7)	(787.8)	(477.5)	(284.5)	(46.5)
Supplemental Data (unaudited):								
Adjusted EBITDA(4)	$ 72.6	$ 22.1	$ 76.6	$ 31.6	$ 59.8	$ 111.2		

Adjusted Net Income (Loss)(5)	45.7	13.3	9.3	(17.9)	(71.7)	(82.6)

* Derived from our unaudited interim consolidated financial statements.

** Derived from our audited consolidated financial statements.

(1) As of October 25, 2009, the fresh-start adoption date, we adopted fresh-start accounting for our consolidated financial statements. Because of the emergence from reorganization proceedings and adoption of fresh-start accounting, the historical financial information for periods after October 25, 2009 is not fully comparable to periods before October 25, 2009. See Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Changes to Our Business.

(2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings and interest-bearing liabilities subject to compromise.

(3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units, including interest-bearing liabilities subject to compromise.

(4) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expenses, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (ix) equity-based compensation expense, (x) reorganization items, net, (xi) foreign currency gain (loss), net and (xii) derivative valuation gain (loss), net. See the footnotes to the table below for further information regarding these items. We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring items that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- we anticipate that our investor and analyst presentations when and if we are public will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to that of other companies in our industry.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our board of directors concerning our consolidated financial performance; and
- in certain of our compensation plans as a performance measure for determining incentive compensation payments.

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We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Historical					
	Successor		Predecessor			
	Six Months Ended June 30, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Six Months Ended June 28, 2009	Years Ended December 31, 2008	2007
	(In millions)					
Net income (loss)	$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(1.8)	(91.5)	(51.7)
Income (loss) from continuing operations	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)
Adjustments:						
Depreciation and amortization associated with continuing operations	30.0	11.2	37.7	22.2	63.8	152.2
Interest expense, net	8.6	1.3	31.2	27.5	76.1	60.3
Income tax expenses	1.7	1.9	7.3	5.0	11.6	8.8
Restructuring and impairment charges(a)	0.6		0.4	0.4	13.4	12.1
Other restructuring charges(b)			13.3	6.9	6.2	
Abandoned IPO expenses(c)					3.7	
Subcontractor claim settlement(d)						1.3
Reorganization items, net(e)			(804.6)	0.3		
Inventory step-up(f)	0.9	17.2				
Equity based compensation expense(g)	2.8	2.2	0.2	0.2	0.5	0.6
Foreign currency loss (gain), net(h)	26.7	(9.3)	(43.4)	9.4	210.4	4.7
Derivative valuation loss, net(i)	1.0					
Adjusted EBITDA	$ 72.6	$ 22.1	$ 76.6	$ 31.6	$ 59.8	$ 111.2

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the six months ended June 30, 2010, impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting, (ii) for the six months ended June 28, 2009, the closure of our research and development facilities in Japan, (iii) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (iv) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our mobile display solutions, or MDS reporting unit, and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (v) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of $6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (iii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e)

This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional

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fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor s gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor s carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our Chapter 11 reorganization.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

(i) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

- Adjusted EBITDA does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;

- Adjusted EBITDA does not reflect the costs of holding certain assets and liabilities in foreign currencies; and

- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

(5) We present Adjusted Net Income as a further supplemental measure of our performance. We prepare Adjusted Net Income by adjusting net income (loss) to eliminate the impact of a number of non-cash expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Net Income is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance.

We present Adjusted Net Income for a number of reasons, including:

- we use Adjusted Net Income in communications with our board of directors concerning our consolidated financial performance;
- we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and
- we anticipate that our investor and analyst presentations when and if we are public will include Adjusted Net Income.

Adjusted Net Income is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes, excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) abandoned IPO expenses, (vi) subcontractor claim settlement, (v) reorganization items, net, (vi) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vii) equity based compensation expense, (viii) amortization of intangibles associated with continuing operations, (ix) foreign currency gain (loss), net and (x) derivative valuation gain (loss), net.

The following table summarizes the adjustments to net income (loss) that we make in order to calculate Adjusted Net Income for the periods indicated:

	Historical					
	Successor		Predecessor			
	Six Months Ended June 30, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Six Months Ended June 28, 2009	Years Ended December 31, 2008	2007
	(In millions)					
Net income (loss)	$ 0.4	$ (2.0)	$ 841.1	$ (42.1)	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(1.8)	(91.5)	(51.7)
Income (loss) from continuing operations	0.4	(2.5)	834.5	(40.3)	(325.8)	(128.8)
Adjustments:						
Restructuring and impairment charges(a)	0.6		0.4	0.4	13.4	12.1
Other restructuring charges(b)			13.3	6.9	6.2	
Abandoned IPO expenses(c)					3.7	
Subcontractor claim settlement(d)						1.3
Reorganization items, net(e)			(804.6)	0.3		
Inventory step-up(f)	0.9	17.2				
Equity based compensation expense(g)	2.8	2.2	0.2	0.2	0.5	0.6
Amortization of intangibles associated with continuing operations(h)	13.4	5.6	8.8	5.2	20.0	27.5
Foreign currency loss (gain), net(i)	26.7	(9.3)	(43.4)	9.4	210.4	4.7
Derivative valuation loss, net(j)	1.0					
Adjusted Net Income (Loss)	$ 45.7	$ 13.3	$ 9.3	$ (17.9)	$ (71.7)	$ (82.6)

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the six months ended June 30, 2010, impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting, (ii) for the six months ended June 28, 2009, the closure of our research and development facilities in Japan, (iii) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (iv) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our MDS reporting unit and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (v) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of $6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (iii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.

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(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor s gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor s carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our reorganization proceedings.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.

(i) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

(j) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted Net Income does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted Net Income does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted Net Income does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted Net Income should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted Net Income only supplementally.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

We have prepared the unaudited pro forma condensed consolidated financial information of MagnaChip for the combined twelve-month period ended December 31, 2009 and for the six months ended June 30, 2010 and in accordance with Article 11 of Regulation S-X.

The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009 is derived from the historical consolidated financial statements of MagnaChip Semiconductor LLC and gives pro forma effect to the following as if these events had occurred on January 1, 2009:

- the reorganization proceedings and adoption of fresh-start reporting; and
- the issuance of $250 million senior notes by MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, our wholly-owned subsidiaries, and the application of the net proceeds therefrom.

Basis of Presentation

The following information should be read in conjunction with Selected Historical Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, Capitalization and the audited and unaudited consolidated financial statements of MagnaChip Semiconductor LLC and the related notes included elsewhere in this prospectus. The unaudited pro forma consolidated financial information is not necessarily indicative of operating results or the financial position that would have been achieved if the transactions identified above had occurred on the dates indicated, nor does it purport to represent the results we will obtain in the future.

Management has prepared the accompanying unaudited pro forma condensed consolidated statements of operations for the combined twelve-month period ended December 31, 2009 and the six months ended June 30, 2010 in accordance with Article 11 of Regulation S-X for inclusion in this prospectus.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are those disclosed in the audited consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009.

The following unaudited pro forma condensed consolidated financial information should be read in conjunction with Capitalization, Selected Historical Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the notes to those consolidated financial statements, included elsewhere in this prospectus.

The Reorganization Proceedings and Fresh-Start Reporting

On June 12, 2009 MagnaChip Semiconductor LLC, along with certain of its subsidiaries, including MagnaChip Semiconductor S.A., filed a voluntary petition for relief in the United States Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code. On November 9, 2009, our plan of reorganization became effective and we emerged from the reorganization proceedings.

In connection with our emergence from the reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with ASC 852, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including the revaluation of assets, the effects of our reorganization plan and fresh-start accounting, the write-off of debt issuance costs and professional fees.

In implementing fresh-start accounting, we re-measured our asset values and stated all liabilities, other than deferred taxes and severance benefits, at fair value or at present values of the amounts to be paid using appropriate market interest rates. As of October 25, 2009, the fair value of our assets and the fair value or present value of our liabilities were as follows:

	Successor October 25, 2009
Assets:	
Cash and cash equivalents	$ 67.6
Inventories	69.3
Other current assets	110.5
Property plant and equipment	158.4
Intangible assets	55.2
Other non-current assets	24.5
Total Assets	485.5
Liabilities:	
Current portion long term debt	0.5
Other current liabilities	123.9
Long-term debt	61.3
Other non-current liabilities	81.5
Total liabilities	267.2
Net Assets acquired	$ 218.4

The intangible assets recognized as part of fresh-start accounting and the related estimated useful lives are as follows:

Intangible Assets	Fair Value	Estimated Useful lives
Technology	$ 14.7	1-5
Customer relationships	26.1	0.5-5
Intellectual property assets	4.7	4
In-process research and development	9.7	
Total Intangible Assets	$ 55.2	

The adjustments made for the reorganization proceedings in the unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009 assumes the financial effects on us resulting from the implementation of the Chapter 11 plan of reorganization and the adoption of fresh-start accounting as described above.

Issuance of $250 Million Senior Notes and Applications of Net Proceeds

On April 9, 2010, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, our wholly-owned subsidiaries, completed the sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018 at an offering price of 98.674%. Net proceeds from the

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notes offering were $238.4 million which represents $250 million of principal amount net of $3.3 million of original issue discount and $8.3 million of debt issuance costs, including professional fees. Of the $238.4 million of net proceeds, $130.7 million was used to make a distribution to our unitholders and $61.6 million was used to repay all outstanding borrowings under our term loan. The remaining proceeds were retained to fund working capital and for general corporate purposes.

	Historical Six Months Ended June 30, 2010	Adjustments	Pro Forma Six Months Ended June 30, 2010
	(In millions, except per common unit data)		
Condensed Pro Forma Statement of Operations:			
Net sales	$ 374.2	$	$ 374.2
Cost of sales	260.3	(0.9)(1)	259.4
Gross profit	113.9		114.8
Selling, general and administrative Expenses	33.9		33.9
Research and development expenses	41.1		41.1
Restructuring and impairment charges	0.6		0.6
Operating income from continuing Operations	38.3		39.2
Interest expense, net	(8.6)	(5.0)(2)	(13.6)
Foreign currency loss, net	(26.7)		(26.7)
Others	(1.0)		(1.0)
	(36.3)		(41.3)
Income (loss) from continuing operations before income taxes	2.1		(2.1)
Income tax expenses	1.7	(3)	1.7
Income (loss) from continuing operations	$ 0.4		$ (3.8)
Per common unit data:			
Earnings (loss) from continuing operations per common unit Basic and diluted	$ 0.00		$ (0.01)
Weighted average number of common units			
Basic	302.501		302.501
Diluted	312.480		312.480

Notes to Unaudited Pro Forma Consolidated Financial Information for the Six Months Ended June 30, 2010

(1) To eliminate the $0.9 million one-time impact on cost of sales associated with the step up of our inventory resulting from implementation of fresh-start accounting in 2009 which was charged to cost of sales in the historical statement of operations for the six months ended June 30, 2010. The pro forma financial statements assume the transaction occurred as of January 1, 2009 and as such this amount is being eliminated from the historical statement of operations in presenting the unaudited pro forma statement of operations, as for pro forma purposes, this charge would not have occurred in the six months ended June 30, 2010.

(2) To eliminate interest expense of $2.1 million which was incurred on our $61.6 million aggregate principal amount new term loan and $0.2 million write-off of debt issuance costs in connection with repayment of our new term loan which was recognized in the six months ended June 30, 2010. In addition, the pro forma adjustment assumes the 10.500% senior notes in the aggregate principal amount of $250.0 million, issued on April 9, 2010, were outstanding as of January 1, 2009. The resulting additional interest expense from our 10.500% senior notes would have been $7.4 million using the effective interest rate method.

(3) We believe that the pro forma adjustments related to the issuance of $250 million aggregate principal amount of senior notes and the application of the net proceeds should not have an impact on income tax expense for the six months ended June 30, 2010. The pro forma adjustment resulting in an increase in interest expense, net is primarily related to our foreign subsidiaries that have sufficient amounts of operating loss carry forwards and, accordingly, such pro forma adjustment will have no income tax impact.

	Historical			
	Successor Two-Month Period Ended December 31, 2009	Predecessor Ten-Month Period Ended October 25, 2009	Adjustments	Pro Forma Year Ended December 31, 2009
	(In millions, except per common unit data)			
Condensed Pro Forma Statement of Operations:				
Net sales	$ 111.1	$ 449.0	$	$ 560.1
Cost of sales	90.4	311.1	(5.4)(1)	
			(17.2)(2)	378.9
Gross profit	20.7	137.8		181.2
Selling, general and administrative expenses	14.5	56.3	0.8(1)	71.6
Research and development expenses	14.7	56.1	6.4(1)	77.3
Restructuring and impairment charges		0.4		0.4
Operating income (loss) from continuing operations	(8.6)	25.0		31.9
Interest expense, net	(1.3)	(31.2)	3.6(3)	(28.8)
Foreign currency gain, net	9.3	43.4		52.8
Reorganization items, net		804.6	(804.6)(4)	
	8.1	816.8		24.0
Income (loss) from continuing operations before income taxes	(0.5)	841.8		55.9
Income tax expenses	1.9	7.3	(5)	9.2
Income (loss) from continuing operations	$ (2.5)	$ 834.5		$ 46.6
Dividends accrued on preferred unit		6.3	(6.3)(6)	
Income (loss) from continuing operations attributable to common unit	$ (2.5)	$ 828.2	$	$ 46.6
Per common unit data:(7)				
Earnings (loss) from continuing operations per common unit Basic and diluted	$ (0.01)	$ 15.65		$ 0.16
Weighted average number of common units				
Basic	300.863	52.923		300.158
Diluted	300.863	52.923		300.166

Notes to Unaudited Pro Forma Consolidated Financial Information for the Twelve Month Period Ended December 31, 2009

(1)

To reflect the net change in historical cost of sales and selling, general and administrative expenses and research and development expenses of the predecessor company due to the

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application of fresh-start accounting as of January 1, 2009 which resulted in a reduction of $13.9 million of tangible assets and an increase of $28.3 million in intangible assets. The corresponding change in depreciation and amortization would have been a decrease in depreciation expense for tangible assets by $7.4 million for the ten-month period ended October 25, 2009 and an increase in amortization expense for intangible assets by $9.1 million for the same period. The useful lives were determined for each tangible asset, which are depreciated on a straight-line basis and range from two to 35 years with a weighted average useful life of 14 years. Technology and customer relationships are amortized on a straight-line basis over one-half to five years based on expected benefit periods. Patents, trademarks and property use rights are amortized on a straight-line basis over the periods of benefits for four years. The estimated useful life of tangibles and intangibles were determined based on expected benefits and/or economic availability for service periods. The aggregate depreciation and amortization expense was allocated to cost of sales and selling, general and administrative expenses and research and development expenses by ($5.4) million, $0.8 million, and $6.4 million, respectively, in respect of the purpose of property, plant and equipment and intangible assets.

The adjustments referred to above are summarized as follows:

	Amortization	Depreciation (In millions)	Total
Cost of sales	$	$ (5.4)	$ (5.4)
Selling, general and administrative Expenses	1.3	(0.5)	0.8
Research and development expenses	7.9	(1.4)	6.4
	$ 9.1	$ (7.4)	$ 1.8

(2) To eliminate the one-time impact on cost of sales associated with the step up of our inventory of $17.9 million, of which $17.2 million was charged to cost of sales in the historical statement of operations for the two-month period ended December 31, 2009, applying the first in, first out method, or FIFO. This adjustment is considered a material non-recurring charge which is directly attributable to the reorganization proceedings and fresh-start accounting and as such is being eliminated from the historical statement of operations in presenting the unaudited pro forma statement of operations.

(3) To eliminate interest expense of $30.8 million of which $29.6 million was incurred on our indebtedness outstanding prior to our reorganization proceedings which was recognized in the ten-month period ended October 25, 2009 and $1.2 million was incurred on our new term loan which was recognized in the two-month period ended December 31, 2009. The $29.6 million incurred on our indebtedness outstanding prior to our reorganization proceedings was comprised of $21.6 million incurred on notes of $750.0 million and $8.0 million incurred under the senior secured credit facility of $95.0 million which was recognized in the ten-month period ended October 25, 2009. In addition, the pro forma adjustment assumes the 10.500% senior notes in the aggregate principal amount of $250.0 million, issued on April 9, 2010, were outstanding as of January 1, 2009. The resulting additional interest expense from our 10.500% senior notes would have been $27.2 million using the effective interest rate method.

(4) To reflect the elimination of the impact of the reorganization items, net recorded in the predecessor period in accordance with ASC 852 upon emergence from the reorganization proceedings, assumed to have occurred January 1, 2009 for the unaudited pro forma statement of operations. As such no adjustment for reorganization items should be reflected.

(5) We believe that the pro forma adjustments related to the reorganization proceedings and adoption of fresh-start reporting and the issuance of $250 million aggregate principal amount of senior notes and the application of the net proceeds should not have an impact on income tax expense for 2009. Those pro forma adjustments which would have income tax impacts, such as increase or decrease in depreciation and amortization expenses and decrease in interest expenses, net are primarily related to our foreign subsidiaries that have sufficient amounts of

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operating loss carry forwards and, accordingly, such pro forma adjustments will have no income tax impact.

(6) To eliminate dividends accrued on preferred units, cancelled in connection with our emergence from reorganization proceedings, in the amount of $6.3 million as of October 25, 2009.

(7) Basic and diluted pro forma income per common unit from continuing operations reflects the impact from the implementation of our plan of reorganization which represents the cancellation of our old common units and issuance of new common units. The following table sets forth the computation of unaudited pro forma basic and diluted income per common unit from continuing operations:

	Weighted Average Common Units	Earnings per Common Unit from Continuing Operations
Historical ten-month period ended October 25, 2009	52,923,483	$ 15.65
Historical two-month period ended December 31, 2009	300,862,764	(0.01)
Pro forma adjustment for the ten-month period ended October 25, 2009 in conjunction with the implementation of the Plan of Reorganization		
Basic	(53,627,880)	
Diluted	(53,620,300)	
Pro forma for the combined twelve-month period ended December 31, 2009		
Basic	300,158,367	$ 0.16
Diluted	300,165,947	$ 0.16

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Historical Consolidated Financial and Operating Data and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading Risk Factors and elsewhere in this prospectus.

Overview

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 2,655 novel registered patents and 900 pending novel patent applications and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers that cover a wide range of flat panel displays and multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers needs and allows us to better service and capture additional demand from existing and new customers.

To maintain and increase our profitability, we must accurately forecast trends in demand for consumer electronics products that incorporate semiconductor products we produce. We must understand our customers needs as well as the likely end market trends and demand in the markets they serve. We must balance the likely manufacturing utilization demand of our product businesses and foundry business to optimize our facilities utilization. We must also invest in relevant research and development activities and manufacturing capacity and purchase necessary materials on a timely basis to meet our customers demand while maintaining our target margins and cash flow.

The semiconductor markets in which we participate are highly competitive. The prices of our products tend to decrease regularly over their useful lives, and such price decreases can be significant as new generations of products are introduced by us or our competitors. We strive to offset the impact of declining selling prices for existing products through cost reductions and the introduction of new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to mitigate the risk of losses from product obsolescence.

Demand for our products and services is driven primarily by overall demand for consumer electronics products and can be adversely affected by periods of weak consumer spending or by

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market share losses by our customers. To mitigate the impact of market volatility on our business, we seek to address market segments and geographies with higher growth rates than the overall consumer electronics industry. For example, in recent years, we have experienced increasing demand from OEMs and consumers in China and Taiwan relative to overall demand for our products and services. We expect to derive a meaningful portion of our growth from growing demand in such markets. We also expect that new competitors will emerge in these markets that may place increased pressure on the pricing for our products and services, but we believe that we will be able to successfully compete based upon our higher quality products and services and that the impact from the increased competition will be more than offset by increased demand arising from such markets. Further, we believe we are well-positioned competitively as a result of our long operating history, existing manufacturing capacity and our Korea-based operations.

Within our Display Solutions and Power Solutions segments, net sales are driven by design wins in which we or another company is selected by an electronics OEM or other potential customer to supply its demand for a particular product. A customer will often have more than one supplier designed in to multi-source components for a particular product line. Once designed in, we often specify the pricing of a particular product for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which our products are used, the inventory levels maintained by our customers and in some cases, allocation of demand for components for a particular product among selected qualified suppliers.

Within the Semiconductor Manufacturing Services business, net sales are driven by customers decisions on which manufacturing services provider to use for a particular product. Most of our semiconductor manufacturing services customers are fabless and depend upon service providers like us to manufacture their products. A customer will often have more than one supplier of manufacturing services; however, they tend to allocate a majority of manufacturing volume to one of their suppliers. We strive to be the primary supplier of manufacturing services to our customers. Once selected as a primary supplier, we often specify the pricing of a particular service on a per wafer basis for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which the products we manufacture for customers are used, the inventory levels maintained by our customers and in some cases, allocation of demand for manufacturing services among selected qualified suppliers.

In contrast to fabless semiconductor companies, our internal manufacturing capacity provides us with greater control over manufacturing costs and the ability to implement process and production improvements which can favorably impact gross profit margins. Our internal manufacturing capacity also allows for better control over delivery schedules, improved consistency over product quality and reliability and improved ability to protect intellectual property from misappropriation. However, having internal manufacturing capacity exposes us to the risk of under-utilization of manufacturing capacity which results in lower gross profit margins, particularly during downturns in the semiconductor industry.

Our products and services require investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. These processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. Additionally, the performance of many of our products is not necessarily dependent on geometry. As a result, our manufacturing base and strategy does not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. Generally, incremental capacity expansions in our segment of the market result in more moderate industry capacity expansion as compared to leading edge processes. As a result, this

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market, and we, specifically, are less likely to experience significant industry overcapacity, which can cause product prices to plunge dramatically. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. We believe this capital investment strategy enables us to optimize our capital investments and facilitates deeper and more diversified product and service offerings.

Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a significant change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers enhance our visibility into new product opportunities, market and technology trends and improve our ability to meet these challenges successfully. In our Semiconductor Manufacturing Services business, we strive to maintain competitiveness and our position as a primary manufacturing services provider to our customers by offering high value added, unique processes, high flexibility and excellent service.

In connection with the audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies which represent a material weakness in our internal control over financial reporting. The two control deficiencies that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee) are that we do not have a sufficient number of financial personnel with requisite financial accounting experience and that our internal controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded. We have identified and are taking steps intended to remediate this material weakness. Upon being notified of the material weakness, we retained the services of an international accounting firm to temporarily supplement our internal resources and have recruited a director of financial reporting.

Recent Changes to Our Business

Beginning in the second half of 2008, we began to take steps to refocus our business strategy, enhance our operating efficiency and improve our cash flow and profitability. We restructured our continuing operations by reducing our cost structure, increasing our focus on our core, profitable technologies, products and customers, and implemented various initiatives to lower our manufacturing costs and improve our gross margins. In connection with these initiatives, we closed our Imaging Solutions business segment, which had been a source of substantial ongoing operating losses amounting to $91.5 million and $51.7 million in 2008 and 2007, respectively, and which required substantial ongoing capital investment. Our employee headcount has declined from 3,648 as of the end of July 2008 to 3,156 at the end of 2009. As a result of these actions, we were able to reduce our costs and improve our margins. Although our goal is to continue to focus on lower costs and improved margins on an ongoing basis, we expect that the financial benefits derived from our ongoing efforts will be incremental and any such benefits may be offset by other negative factors affecting our operations.

On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in order to address the growing demands on our cash flow resulting from our long-term indebtedness. Our plan of reorganization went effective and we emerged from the reorganization proceeding on November 9, 2009. As a result of the plan of reorganization, our indebtedness was reduced from $845.0 million immediately prior to the effectiveness of our plan of reorganization to $61.8 million as of December 31, 2009.

During the first half of 2009, we instituted company-wide voluntary salary reductions, which resulted in one-time savings for our continuing operations during 2009 and which in turn contributed to

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the decrease in salaries and related expenses in 2009 relative to 2008. In June 2009, we returned to our employees one-third of the amount by which their salaries had been reduced. We reinstated salaries to prior levels in July 2009.

In connection with our emergence from reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with ASC 852 governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting, and write-off of debt issuance costs.

In implementing fresh-start accounting, we re-measured our asset values and stated all liabilities, other than deferred taxes and severance benefits, at fair value or at the present values of the amounts to be paid using appropriate market interest rates. Our reorganization value was determined based on consideration of numerous factors and various valuation methodologies, including discounted cash flows, believed by management and our financial advisors to be representative of our business and industry. Information regarding the determination of the reorganization value and application of fresh-start accounting is included in note 3 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. In addition, under fresh-start accounting, accumulated deficit and accumulated other comprehensive income were eliminated.

Under fresh-start accounting, our inventory, net, and intangible assets, net, increased by $17.9 million and $28.3 million, respectively, and property, plant and equipment decreased by $13.9 million, in each case to reflect the estimated fair value as of our emergence from our reorganization proceedings. As a result, our cost of sales for the two-month period ended December 31, 2009 included $17.2 million of additional costs from the inventory step-up. This resulted in our gross margin for the two-month period ended December 31, 2009 being significantly lower than for the ten-month period ended October 25, 2009 and prior periods. The increase in intangible assets results in higher amortization expenses following our emergence from our reorganization proceedings which are included in cost of sales, selling general and administrative expenses and research and development expenses. The decrease in property and plant and equipment results in lower depreciation expenses, which are included in cost of sales, selling general and administrative expenses and research and development expenses following our emergence from our reorganization proceedings.

As a result of the application of fresh-start accounting, our consolidated financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the consolidated financial statements of our post-reorganization successor company. For the purposes of our discussion and analysis of our results of operations, we often refer to results of operations for 2009 on a combined basis, including both the period before (predecessor company) and after (successor company) effectiveness of the plan of reorganization. We believe this comparison provides useful information as the principal impact of the plan of reorganization was on our debt and capital structure and not on our core operations; and many of the steps taken to improve our core operations had commenced prior to the commencement of our reorganization proceedings.

On April 9, 2010, we completed the sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018. Of the $238.4 million of net proceeds, $130.7 million was used to make a distribution to our unitholders and $61.6 million was used to repay all outstanding borrowings under our term loan. The remaining proceeds of $46.1 million were retained to fund working capital and for general corporate purposes. As a result of the higher level of indebtedness from our senior note

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offering, our interest expense will increase above that which was reported for the six months ended June 30, 2010 to approximately $13.6 million per semiannual period.

Business Segments

We report in three separate business segments because we derive our revenues from three principal business lines: Display Solutions, Power Solutions, and Semiconductor Manufacturing Services. We have identified these segments based on how we allocate resources and assess our performance.

Display Solutions: Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in LCD televisions and LED televisions and displays, mobile PCs and mobile communications and entertainment devices. Our display solutions support the industry s most advanced display technologies, such as LTPS and AMOLED, as well as high-volume display technologies such as TFT. Our Display Solutions business represented 50.5%, 50.5% and 46.7% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis), 2008 and 2007, respectively and 42.0% and 55.5% of our net sales for the six months ended June 30, 2010 and June 28, 2009, respectively.

Power Solutions: Our Power Solutions segment produces power management semiconductor products including discrete and integrated circuit solutions for power management in high-volume consumer applications. These products include MOSFETs, LED drivers, DC-DC converters, analog switches and linear regulators, such as low-dropout regulators, or LDOs. Our power solutions products are designed for applications such as mobile phones, LCD televisions, and desktop computers, and allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. Going forward, we expect to continue to expand our power management product portfolio. Our Power Solutions business represented 2.2% and 0.9% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis) and 2008, respectively and 5.6% and 1.1% of our net sales for six months ended June 30, 2010 and June 28, 2009, respectively.

Semiconductor Manufacturing Services: Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services to fabless semiconductor companies that serve the consumer, computing and wireless end markets. We manufacture wafers based on our customers product designs. We do not market these products directly to end customers but rather supply manufactured wafers and products to our customers to market to their end customers. We offer approximately 200 process flows to our manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise. Our manufacturing services are targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, embedded memory and power. These customers typically serve high-growth and high-volume applications in the consumer, computing and wireless end markets. Our Semiconductor Manufacturing Services business represented 46.7%, 47.7% and 45.2% of our net sales for the fiscal years ended December 31, 2009 (on a combined basis), 2008 and 2007, respectively and 52.1% and 42.8% of our net sales for the six months ended June 30, 2010 and June 28, 2009, respectively.

Additional Business Metrics Evaluated by Management

Adjusted EBITDA and Adjusted Net Income

We use the terms Adjusted EBITDA and Adjusted Net Income throughout this prospectus. Adjusted EBITDA, as we define it, is a non-GAAP measure. We define Adjusted EBITDA as net

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income (loss) less income (loss) from discontinued operations, net of taxes excluding (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expense, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) reorganization items, net, (ix) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (x) equity-based compensation expense, (xi) foreign currency gain (loss), net and (xii) derivative valuation gain (loss), net.

We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) reorganization items, net, (iv) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (v) equity-based compensation expense, (vi) amortization of intangibles, (vii) foreign currency gain (loss), net and (viii) derivative valuation gain (loss), net.

We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance;

- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;

- we anticipate that our investor and analyst presentations when and if we are public will include Adjusted EBITDA; and

- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to companies in our industry.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;

- to evaluate the effectiveness of our enterprise level business strategies;

- in communications with our board of directors concerning our consolidated financial performance; and

- in certain of our compensation plans as a performance measure for determining incentive compensation payments.

In evaluating Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA and Adjusted Net Income should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA and Adjusted Net Income are not measures defined in accordance with GAAP and should not be construed as an alternative to operating income, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. For additional information regarding how we calculate Adjusted EBITDA and Adjusted Net Income, please see Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data.

On a pro forma basis, our Adjusted EBITDA and Adjusted Net Income for the six months ended June 30, 2010 were $72.6 million and $40.6 million, respectively. On a pro forma basis, our Adjusted EBITDA and Adjusted Net Income for the combined twelve-month period ended December 31, 2009 were $98.7 million and $33.7 million, respectively. Our Adjusted EBITDA and Adjusted Net Income for the year ended December 31, 2008 were $59.8 million and a loss of $71.7 million, respectively. This improvement resulted from our restructuring efforts and improvements in market conditions.

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Factors Affecting Our Results of Operations

Net Sales. We derive a majority of our sales (net of sales returns and allowances) from three reportable segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales and technical support offices near concentrations of major customers. Our sales offices are located in Hong Kong, Japan, Korea, Taiwan, China, the United Kingdom and the United States. Our network of authorized agents and distributors consists of agents in the United States and Europe and distributors and agents in the Asia Pacific region. Our net sales from All other consist principally of rental income and, for 2007 and to a limited extent in 2008, semiconductor processing services for one customer where we completed a limited number of process steps, rather than the entire production process, which we refer to as unit processing.

We recognize revenue when risk and reward of ownership passes to the customer either upon shipment, upon product delivery at the customer s location or upon customer acceptance, depending on the terms of the arrangement. For the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, we sold products to over 335 and 185 customers, respectively, and our net sales to our ten largest customers represented 64% and 69% of our net sales for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively. The increase in number of customers is due to the continuing growth of our Power Solutions business. We have a combined production capacity of over 131,000 eight-inch equivalent semiconductor wafers per month. We believe our large-scale, cost-effective fabrication facilities enable us to rapidly adjust our production levels to meet shifts in demand by our end customers.

Gross Profit. Our overall gross profit generally fluctuates as a result of changes in overall sales volumes and in the average selling prices of our products and services. Other factors that influence our gross profit include changes in product mix, the introduction of new products and services and subsequent generations of existing products and services, shifts in the utilization of our manufacturing facilities and the yields achieved by our manufacturing operations, changes in material, labor and other manufacturing costs and variation in depreciation expense. Gross profit varies by our operating segments.

Average Selling Prices. Average selling prices for our products tend to be highest at the time of introduction of new products which utilize the latest technology and tend to decrease over time as such products mature in the market and are replaced by next generation products. We strive to offset the impact of declining selling prices for existing products through our product development activities and by introducing new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to preclude losses from product and productive capacity obsolescence.

Material Costs. Our cost of sales consists of costs of raw materials, such as silicon wafers, chemicals, gases and tape, packaging supplies, equipment maintenance and depreciation expenses. We use processes that require specialized raw materials, such as silicon wafers, that are generally available from a limited number of suppliers. If demand increases or supplies decrease, the costs of our raw materials could significantly increase.

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, approximately 98% of our employees were eligible for severance benefits. We have in the past implemented temporary reductions in salaries to manage through downturns in the industry. We expect to and have reversed such temporary reductions when business conditions improve.

Depreciation Expense. We periodically evaluate the carrying values of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. At June 30, 2010, we depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to five years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying values of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

Selling Expenses. We sell our products worldwide through a direct sales force as well as a network of sales agents and representatives to OEMs, including major branded customers and contract manufacturers, and indirectly through distributors. Selling expenses consist primarily of the personnel costs for the members of our direct sales force, a network of sales representatives and other costs of distribution. Personnel costs include base salary, benefits and incentive compensation. As incentive compensation is tied to various net sales goals, it will increase or decrease with net sales.

General and Administrative Expenses. General and administrative expenses consist of the costs of various corporate operations, including finance, legal, human resources and other administrative functions. These expenses primarily consist of payroll-related expenses, consulting and other professional fees and office facility-related expenses. Historically, our selling, general and administrative expenses have remained relatively constant as a percentage of net sales, and we expect this trend to continue in the future.

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base-line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses are for process development that serves as a common technology platform for all of our product segments. Consequently, we do not allocate these expenses to individual segments. Although our research and development expenses declined significantly from 2008 to 2009, the expenses increased in the first half of 2010 and we expect the expenses to increase in future periods and to remain a relatively constant percentage of our net sales as we continue to increase our investments in research and development to develop additional products and expand our business.

Restructuring and Impairment Charges. We evaluate the recoverability of certain long-lived assets on a periodic basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In our efforts to improve our overall profitability in future periods, we have closed or otherwise impaired, and may in the future close or impair, facilities that are underutilized and that are no longer aligned with our long-term business goals. For example, in 2007 we closed our five-inch fabrication facilities in Gumi, Korea and in 2008 we discontinued our Imaging Solutions business segment.

Interest Expense, Net. Our interest expense was incurred under the Predecessor Company s senior secured credit facility, the Predecessor Company s second priority senior secured notes and senior subordinated notes and the Successor Company s new term loan under the Successor

Company. Our new term loan bore interest at six-month LIBOR plus 12%, and was minimally offset by interest income on cash balances. In April 2010, we repaid our new term loan with a portion of the proceeds from our sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018. As a result of our reorganization, we expect that our interest expense will decrease in amount and as a percentage of net sales relative to historical periods. However, as a result of our senior notes offering, our interest expense will increase above that which was reported for the six months ended June 30, 2010 to approximately $13.6 million per semiannual period.

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income (loss) from continuing operations to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock following the completion of the MagnaChip Corporation IPO could be adversely affected.

For periods ended on or prior to October 25, 2009, we converted our non-U.S. revenues and expenses into U.S. dollars based on cumulative average exchange rates over the periods presented. Beginning on October 25, 2009, we convert our non-U.S. revenues and expenses into U.S. dollars based on monthly average exchange rates. The following table provides the cumulative average exchange rates that we used to convert Korean won into U.S. dollars for each of the periods ended on our prior to October 25, 2009, as well as the monthly average exchange rates used for the two-month period ended December 31, 2009 and for the six months ended June 30, 2010:

Period	**Rate**
Year ended December 31, 2007	929:1
Year ended December 31, 2008	1,099:1
Ten-month period ended October 25, 2009	1,302:1
Two-month period ended December 31, 2009	
November 2009	1,172:1
December 2009	1,165:1
Six months ended June 28, 2009	1,352:1
Six months ended June 30, 2010	
January 2010	1,139:1
February 2010	1,157:1
March 2010	1,138:1
April 2010	1,117:1
May 2010	1,163:1
June 2010	1,212:1

As a result of the depreciation of the Korean won against the U.S. dollar from 2007 to 2008 and from 2008 to 2009, foreign currency fluctuations generally had a materially beneficial impact on our reported profit margins and operating income (loss) from continuing operations for such periods. In contrast, as a result of the appreciation of the Korean won against the U.S. dollar from the six months ended June 28, 2009 to the six months ended June 30, 2010, foreign currency fluctuations had an unfavorable impact on our reported profit margins and operating income (loss) from continuing operations for the current year period. In order to provide more detailed information regarding the impact of foreign currency fluctuations on our results of operations, in our discussion of period to period comparisons under the heading Results of Operations, we have included information regarding the impact of the year-to-year and semiannual-to-semiannual change in the Korean won/U.S. dollar exchange rate. The information, which is described below as the impact of the depreciation or appreciation of the Korean won against the U.S. dollar, measures the impact in the change in applicable monthly average exchange rate for the most recent period discussed as compared to the applicable cumulative average exchange rate during the prior period. For net sales that were originally denominated in Korean won, we have compared the applicable cumulative average exchange rate in effect for the prior period against the applicable monthly average exchange rate for the period in which the sale took place on a transaction-by-transaction basis. For cost of sales and other expenses, we have compared the applicable cumulative average exchange rate during the prior period to the applicable monthly average exchange rate during the current period and applied that to the amount of our aggregate cost of sales and other expenses for the period that were originally denominated in Korean won. A substantial portion of the net sales recorded at our Korean subsidiary are in U.S. dollars and are converted into Korean won for reporting purposes at the subsidiary level. Although this approach does not reflect the fluctuations of the currency exchange rates for every transaction on a day-to-day basis, we believe that it provides a useful indication of the magnitude of the exchange rate impact for the periods presented.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. For example, in January 2010 and May 2010 our Korean subsidiary entered into foreign currency option and forward contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. The January 2010 option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during each month of 2010 commencing February 2010 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. The May 2010 option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during the months of January 2011 through June 2011 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. In August 2010, our Korean subsidiary additionally entered into zero cost collar contracts for the same purpose with the above hedge contracts. The August 2010 zero cost collar contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during the months of July 2011 through December 2011 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. Obligations under these foreign currency option and forward contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These option and forward contracts may be terminated by the counterparty in a number of circumstances, including if our long-term debt rating falls below B-/B3 or if our total qualified and unrestricted cash and cash equivalents is less than $30 million at the end of a fiscal quarter. For further information regarding the derivative financial instruments, see notes 7 and 18 to our unaudited interim consolidated financial statements for the six months ended June 30, 2010 elsewhere in this prospectus.

Foreign Currency Gain or Loss. Foreign currency translation gains or losses on transactions by us or our subsidiaries in a currency other than our or our subsidiaries functional currency are included in our statements of operations as a component of other income (expense). A substantial portion of this net foreign currency gain or loss relates to non-cash translation gain or loss related to the principal balance of intercompany borrowings at our Korean subsidiary that are denominated in U.S. dollars. This gain or loss results from fluctuations in the exchange rate between the Korean won and U.S. dollar.

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Income Taxes. We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. We exercise significant management judgment in determining our provision for income taxes, deferred tax assets and liabilities. We periodically evaluate our deferred tax assets to ascertain whether it is more likely than not that the deferred tax assets will be realized. Our income tax expense has been low in absolute dollars and as a percentage of net sales principally due to the availability of tax loss carry-forwards and we expect such rate to remain low for at least the next few years.

Our operations are subject to income and transaction taxes in Korea and in multiple foreign jurisdictions. Significant estimates and judgments are required in determining our worldwide provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

Capital Expenditures. We invest in manufacturing equipment, software design tools and other tangible and intangible assets for capacity expansion and technology improvement. Capacity expansions and technology improvements typically occur in anticipation of seasonal increases in demand. We typically pay for capital expenditures in partial installments with portions due on order, delivery and final acceptance. Our capital expenditures include our payments for the purchase of property, plant and equipment as well as payments for the registration of intellectual property rights.

Inventories. We monitor our inventory levels in light of product development changes and market expectations. We may be required to take additional charges for quantities in excess of demand, cost in excess of market value and product age. Our analysis may take into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sales of existing products, product age, customer design activity, customer concentration and other factors. These forecasts require us to estimate our ability to predict demand for current and future products and compare those estimates with our current inventory levels and inventory purchase commitments. Our forecasts for our inventory may differ from actual inventory use.

Principles of Consolidation. Our consolidated financial statements include the accounts of our company and our wholly-owned subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Segments. We operate in three segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Power Solutions segment began to generate net sales in the second quarter of 2008. Net sales and gross profit for the All other category primarily relate to certain business activities that do not constitute operating or reportable segments.

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Results of Operations

The following table sets forth, for the periods indicated, certain information related to our operations, expressed in U.S. dollars and as a percentage of our net sales:

	Successor Company				Predecessor Company							
	Six Months Ended June 30, 2010		Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Six Months Ended June 28, 2009		Years Ended December 31, 2008		2007	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
					(In millions)							
Consolidated statements of operations data:												
Net sales	$ 374.2	100.0%	$ 111.1	100.0%	$ 449.0	100.0%	$ 241.2	100.0%	$ 601.7	100.0%	$ 709.5	100.0%
Cost of sales	260.3	69.6	90.4	81.4	311.1	69.3	171.9	71.3	445.3	74.0	578.9	81.6
Gross profit	113.9	30.4	20.7	18.6	137.8	30.7	69.2	28.7	156.4	26.0	130.7	18.4
Selling, general and administrative expenses	33.9	9.1	14.5	13.1	56.3	12.5	33.6	13.9	81.3	13.5	82.7	11.7
Research and development expenses	41.1	11.0	14.7	13.3	56.1	12.5	33.2	13.8	89.5	14.9	90.8	12.8
Restructuring and impairment charges	0.6	0.2			0.4	0.1	0.4	0.2	13.4	2.2	12.1	1.7
Operating income (loss) from continuing operations	38.3	10.2	(8.6)	(7.7)	25.0	5.6	1.9	0.8	(27.7)	(4.6)	(54.9)	(7.7)
Interest expense, net	(8.6)	(2.3)	(1.3)	(1.1)	(31.2)	(6.9)	(27.5)	(11.4)	(76.1)	(12.7)	(60.3)	(8.5)
Foreign currency gain (loss), net	(26.7)	(7.1)	9.3	8.4	43.4	9.7	(9.4)	(3.9)	(210.4)	(35.0)	(4.7)	(0.7)
Reorganization items, net					804.6	179.2	(0.3)	(0.1)				
Others	(1.0)	(0.3)										
	(36.3)	(9.7)	8.1	7.3	816.8	181.9	(37.3)	(15.4)	(286.5)	(47.6)	(65.0)	(9.2)
Income (loss) continuing operations before income taxes	2.1	0.6	(0.5)	(0.5)	841.8	187.5	(35.3)	(14.6)	(314.3)	(52.2)	(120.0)	(16.9)
Income tax expenses	1.7	0.5	1.9	1.8	7.3	1.6	5.0	2.1	11.6	1.9	8.8	1.2
Income (loss) from continuing operations	0.4	0.1	(2.5)	(2.2)	834.5	185.9	(40.3)	(16.7)	(325.8)	(54.2)	(128.8)	(18.2)
Income (loss) from discontinued operations, net of taxes			0.5	0.5	6.6	1.5	(1.8)	(0.7)	(91.5)	(15.2)	(51.7)	(7.3)
Net income (loss)	$ 0.4	0.1%	$ (2.0)	(1.8)%	$ 841.1	187.3%	$ (42.1)	(17.4)%	$ (417.3)	(69.4)%	$ (180.6)	(25.4)%
Net Sales:												
Display Solutions	$ 157.3	42.0%	$ 51.0	46.0%	$ 231.9	51.6%	$ 133.8	55.5%	$ 304.1	50.5%	$ 331.7	46.7%
Power Solutions	21.1	5.6	4.7	4.3	7.6	1.7	2.6	1.1	5.4	0.9		
Semiconductor Manufacturing Services	194.8	52.1	54.8	49.3	206.7	46.0	103.1	42.8	287.1	47.7	321.0	45.2

All other	1.0	0.3	0.5	0.5	2.8	0.6	1.6	0.7	5.0	0.8	56.8	8.0
	$ 374.2	100.0%	$ 111.1	100.0%	$ 449.0	100.0%	$ 241.2	100.0%	$ 601.7	100.0%	$ 709.5	100.0%

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Results of Operations Comparison of Six Months Ended June 30, 2010 and June 28, 2009

The following table sets forth consolidated results of operations for the six months ended June 30, 2010 and June 28, 2009:

	Successor Company Six Months Ended June 30, 2010		Predecessor Company Six Months Ended June 28, 2009		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Net sales	$ 374.2	100.0%	$ 241.2	100.0%	$ 133.0
Cost of sales	260.3	69.6	171.9	71.3	88.4
Gross profit	113.9	30.4	69.2	28.7	44.7
Selling, general and administrative expenses	33.9	9.1	33.6	13.9	0.2
Research and development expenses	41.1	11.0	33.2	13.8	7.8
Restructuring and impairment charges	0.6	0.2	0.4	0.2	0.2
Operating income from continuing operations	38.3	10.2	1.9	0.8	36.4
Interest expense, net	(8.6)	(2.3)	(27.5)	(11.4)	18.9
Foreign currency loss, net	(26.7)	(7.1)	(9.4)	(3.9)	(17.2)
Reorganization items, net			(0.3)	(0.1)	0.3
Others	(1.0)	(0.3)			(1.0)
	(36.3)	(9.7)	(37.3)	(15.4)	1.0
Income (loss) from continuing operations before income taxes	2.1	0.6	(35.3)	(14.6)	37.4
Income tax expenses	1.7	0.5	5.0	2.1	(3.3)
Income (loss) from continuing operations	0.4	0.1	(40.3)	(16.7)	40.7
Loss from discontinued operations, net of taxes			(1.8)	(0.7)	1.8
Net income (loss)	$ 0.4	0.1%	$ (42.1)	(17.4)%	$ 42.4

Net Sales

	Successor Company Six Months Ended June 30, 2010		Predecessor Company Six Months Ended June 28, 2009		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Display Solutions	$ 157.3	42.0%	$ 133.8	55.5%	$ 23.5
Power Solutions	21.1	5.6	2.6	1.1	18.5
Semiconductor Manufacturing Services	194.8	52.1	103.1	42.8	91.7
All other	1.0	0.3	1.6	0.7	(0.6)

	$ 374.2	100.0%	$ 241.2	100.0%	$ 133.0

Net sales were $374.2 million for the six months ended June 30, 2010, a $133.0 million, or 55.2%, increase, compared to $241.2 million for the six months ended June 28, 2009. This increase was primarily due to increases in our product sales volume and a $12.7 million favorable impact resulting from the appreciation of the Korean won against the U.S. dollar, which were partially offset by a decrease in average selling prices.

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Display Solutions. Net sales from our Display Solutions segment were $157.3 million for the six months ended June 30, 2010, a $23.5 million, or 17.6%, increase from $133.8 million for the six months ended June 28, 2009. The increase was primarily due to a 38.9% increase in sales volume. Sales volume increased as the consumer electronics industry began to recover from the economic slowdown and demand and shipments for consumer electronics products such as digital televisions, PCs and smart phones increased. This increase was partially offset by a 20.3% decrease in average selling prices, which was primarily from display driver products for LCD televisions, PC monitors and mobile devices.

Power Solutions. Net sales from our Power Solutions segment were $21.1 million for the six months ended June 30, 2010, a $18.5 million, or 705.0%, increase from $2.6 million for the six months ended June 28, 2009. The increase was primarily due to a 322.7% increase in sales volume and a 90.4% increase in average selling prices driven by an improved product mix and higher demand for MOSFET products from existing and new customers as we grew this business.

Semiconductor Manufacturing Services. Net sales from our Semiconductor Manufacturing Services segment were $194.8 million for the six months ended June 30, 2010, a $91.7 million, or 88.9%, increase compared to net sales of $103.1 million for the six months ended June 28, 2009. This increase was primarily due to a 88.6% increase in sales volume and 1.1% increase in average selling prices of eight-inch equivalent wafers driven by a strong market demand upside due to the recovery from economic slowdown and an improved product mix of advanced process geometry.

All Other. Net sales from All other were $1.0 million for the six months ended June 30, 2010, $0.6 million or 36.6% decrease compared to $1.6 million for the six months ended June 28, 2009. This decrease resulted from lower rental income due to the relocation of one lessee of our building.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the six months ended June 30, 2010 and June 28, 2009:

	Successor Company Six Months Ended June 30, 2010		Predecessor Company Six Months Ended June 28, 2009		
	Amount	% of Net Sales	Amount (In millions)	% of Net Sales	Change Amount
Korea	$ 199.0	53.2%	$ 134.6	55.8%	$ 64.4
Asia Pacific	101.2	27.0	65.3	27.1	35.9
Japan	23.0	6.1	16.8	7.0	6.2
North America	44.1	11.8	19.7	8.2	24.4
Europe	6.8	1.8	4.8	2.0	2.0
Africa	0.2	0.1			0.2
	$ 374.2	100.0%	$ 241.2	100.0%	$ 133.0

Net sales in Korea for the six months ended June 30, 2010 increased compared to the six months ended June 28, 2009, primarily due to the overall business recovery in the market and increased demand for Display Solutions products and Semiconductor Manufacturing Services. Net sales in Asia Pacific and North America for the six months ended June 30, 2010 increased compared to the six months ended June 28, 2009, primarily due to the overall business recovery in the market and increased demand for Semiconductor Manufacturing Services.

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Gross Profit

	Successor Company Six Months Ended June 30, 2010		Predecessor Company Six Months Ended June 28, 2009		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Display Solutions	$ 36.6	23.2%	$ 36.1	27.0%	$ 0.4
Power Solutions	4.0	19.0	(0.5)	(19.1)	4.5
Semiconductor Manufacturing Services	72.3	37.1	32.0	31.0	40.3
All other	1.0	100.0	1.6	100.0	(0.6)
	$ 113.9	30.4%	$ 69.2	28.7%	$ 44.7

Total gross profit was $113.9 million for the six months ended June 30, 2010 as compared to $69.2 million for the six months ended June 28, 2009, a $44.7 million, or 64.5%, increase. Gross profit as a percentage of net sales for the six months ended June 30, 2010 was 30.4%, an increase of 1.7% from 28.7% for the six months ended June 28, 2009. This increase in gross margin was primarily attributable to increased sales volume, partially offset by lower average selling prices and a $12.2 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar as an unfavorable impact on cost of sales was in excess of a favorable impact on net sales. Gross margin during the six months ended June 30, 2010 was adversely affected by a $0.9 million increase in cost of sales associated with the step up of our inventory resulting from implementation of fresh-start accounting in 2009; higher costs associated with the sale of inventory which was manufactured in late 2009 at higher unit costs; and higher volume of sales of products with lower average sales prices due to a slower than expected transition from one of our legacy products to our latest generation of the product. Cost of sales for the six months ended June 30, 2010 increased by $88.4 million compared to the six months ended June 28, 2009. The increase in cost of sales was primarily due to a $24.9 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar, a $19.6 million increase in material costs, a $20.1 million increase in labor costs resulting from the increased sales volume and the reinstatement of our salary level from our company-wide voluntary salary reductions that were in effect in the first half of 2009 and a $8.8 million increase in subcontractor costs due to the increased sales volume.

Display Solutions. Gross profit for our Display Solutions segment for the six months ended June 30, 2010 decreased to 23.2% compared to 27.0% for the six months ended June 29, 2009 primarily due to a 20.3% decrease in average selling prices. Cost of sales for the six months ended June 3, 2010 increased by $23.1 million compared to the six months ended June 28, 2009, primarily due to a $10.1 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar, a $3.9 million increase in material costs, a $5.3 million increase in labor costs resulting from the increased sales volume and the reinstatement of our salary level from our company-wide voluntary salary reductions that were in effect in the first half of 2009 and a $3.1 million increase in subcontract costs.

Power Solutions. Gross margin for our Power Solutions segment for the six months ended June 30, 2010 improved to 19.0% compared to (19.1)% for the six months ended June 28, 2009. In the six months ended June 30, 2010, gross margin changed to positive due to increased sales volume and improved utilization of our manufacturing facilities. Gross margin was negative in the six months ended June 28, 2009 due to increased overhead costs resulting from lower utilization of our manufacturing facilities. Cost of sales for the six months ended June 30, 2010 increased by $13.9 million compared to the six months ended June 28, 2009, primarily due to a $3.9 million increase in material costs, a

$5.5 million increase in subcontractor costs, a $1.8 million increase in overhead costs and a $1.3 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar.

Semiconductor Manufacturing Services. Gross margin for our Semiconductor Manufacturing Services segment increased to 37.1% in the six months ended June 30, 2010 from 31.0% in the six months ended June 28, 2009. This increase was primarily due to a decrease in unit cost of sales resulting from higher utilization of our manufacturing facilities and improved product mix. Gross profit amount increased by $40.3 million due to the increased sales volume and average selling prices. Cost of sales for the six months ended June 30, 2010 increased by $51.4 million compared to the six months ended June 28, 2009, which was primarily attributable to a $13.5 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar, a $11.8 million increase in material costs and a $13.3 million increase in labor costs from the increased sales volume and the reinstatement of our salary level from our company-wide voluntary salary reductions that were in effect in the first half of 2009 and $13.5 million increase in overhead costs resulting from the increased sales volume.

All Other. Gross margin for All other remained the same as there is no cost of sales in either period.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $33.9 million, or 9.1% of net sales for the six months ended June 30, 2010, compared to $33.6 million, or 13.9% of net sales for the six months ended June 28, 2009. The increase of $0.2 million, or 0.7%, was primarily attributable to a $3.5 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar, a $3.8 million increase in salaries resulting from the reinstatement of our salary levels from our company-wide voluntary salary reductions that were in effect in the first half of 2009, and a $1.5 million increase in amortization expenses due to the write-up of our intangible assets in accordance with fresh-start accounting. These increases were partially offset by a $8.9 million decrease in outside service expenses, primarily due to a decrease in restructuring-related professional fees and related expenses.

Research and Development Expenses. Research and development expenses for the six months ended June 30, 2010 were $41.1 million, an increase of $7.8 million, or 23.6%, from $33.2 million for the six months ended June 28, 2009. This increase was due to a $4.6 million unfavorable impact resulting from the appreciation of the Korean won against the U.S. dollar, a $2.2 million increase in salaries and related expenses resulting from the reinstatement of our salary levels from our company-wide voluntary salary reductions that were in effect in the first half of 2009, a $1.6 million increase in material costs, and a $3.2 million increase in amortization expenses due to the write-up of our intangible assets in accordance with fresh-start accounting. These increases were partially offset by a $4.1 million decrease in costs transferred from manufacturing to research and development expenses due to improved facilities utilization resulting from our higher net sales. Research and development expenses as a percentage of net sales were 11.0% in the six months ended June 30, 2010, compared to 13.8% in the six months ended June 28, 2009.

Restructuring and Impairment Charges. Restructuring and impairment charges increased by $0.2 million in the six months ended June 30, 2010 compared to the six months ended June 28, 2009. Impairment charges of $0.6 million recorded in the six months ended June 30, 2010 were related to impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting. Restructuring charges of $0.4 million recorded in the six months ended June 28, 2009 were related to the closure of our research and development facilities in Japan.

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Other Income (Expense)

Interest Expense, Net. Net interest expense was $8.6 million during the six months ended June 30, 2010, a decrease of $18.9 million compared to $27.5 million for the six months ended June 28, 2009. Interest expense for the six months ended June 30, 2010 was incurred under our $250.0 million principal amount senior notes issued on April 9, 2010 and partially incurred under our new term loan, which was fully repaid on April 9, 2010. Interest expense for the six months ended June 28, 2009 was incurred under our $750.0 million principal amount of notes and $95.0 million senior secured credit facility. Upon our emergence from our reorganization proceedings, our $750.0 million notes were discharged pursuant to the reorganization plan. $33.3 million out of our senior secured credit facility was repaid in cash and $61.8 million was refinanced with the new term loan on November 6, 2009.

Foreign Currency Gain (Loss), Net. Net foreign currency loss for the six months ended June 30, 2010 was $26.7 million, compared to net foreign currency loss of $9.4 million for the six months ended June 28, 2009. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to repay these intercompany borrowings at their respective maturity dates. The Korean won to U.S. dollar exchange rates were 1,210.3:1 and 1,283.6:1 using the first base rate as of June 30, 2010 and June 28, 2009, respectively, as quoted by the Korea Exchange Bank.

Others. Others for the six months ended June 30, 2010 was comprised of dividend income from our investment in equity instruments and loss on valuation of derivatives which were designated as hedging instruments. The majority of the loss was loss on valuation of derivatives which represents either hedge ineffectiveness or components of changes in fair value of derivatives excluded from the assessments of hedge effectiveness.

Income Tax Expenses. Income tax expenses for the six months ended June 30, 2010 were $1.7 million, compared to income tax expenses of $5.0 million for the six months ended June 28, 2009. Income tax expenses for the six months ended June 30, 2010 were comprised of $0.5 million of current income tax expenses, net incurred in various jurisdictions in which our overseas subsidiaries are located, $2.2 million of withholding taxes mostly paid on intercompany interest payments, and a $0.7 million income tax effect from the change of deferred tax assets less $1.6 million reversal of liabilities for uncertain tax positions due to the lapse of the applicable statute of limitations. Due to the uncertainty of the utilization of foreign tax credits, we recognized full valuation allowance for the withholding taxes (deferred tax assets).

Loss from Discontinued Operations, Net of Taxes

Loss from Discontinued Operations, Net of Taxes. During 2008, we closed our Imaging Solutions business segment. During the six months ended June 28, 2009, we recognized net loss of $1.8 million relating to our discontinued operations.

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Results of Operations Comparison of Years Ended December 31, 2009 and December 31, 2008

The following table sets forth consolidated results of operations for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008:

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
				(In millions)			
Net sales	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)
Cost of sales	90.4	81.4	311.1	69.3	445.3	74.0	(43.7)
Gross profit	20.7	18.6	137.8	30.7	156.4	26.0	2.1
Selling, general and administrative expenses	14.5	13.1	56.3	12.5	81.3	13.5	(10.5)
Research and development expenses	14.7	13.3	56.1	12.5	89.5	14.9	(18.6)
Restructuring and impairment charges			0.4	0.1	13.4	2.2	(12.9)
Operating income (loss) from continuing operations	(8.6)	(7.7)	25.0	5.6	(27.7)	(4.6)	44.1
Interest expense, net	(1.3)	(1.1)	(31.2)	(6.9)	(76.1)	(12.7)	43.7
Foreign currency gain (loss), net	9.3	8.4	43.4	9.7	(210.4)	(35.0)	263.2
Reorganization items, net			804.6	179.2			804.6
	8.1	7.3	816.8	181.9	(286.5)	(47.6)	1,111.5
Income (loss) from continuing operations before income taxes	(0.5)	(0.5)	841.8	187.5	(314.3)	(52.2)	1,155.5
Income tax expenses	1.9	1.8	7.3	1.6	11.6	1.9	(2.3)
Income (loss) from continuing operations	(2.5)	(2.2)	834.5	185.9	(325.8)	(54.2)	1,157.9
Income (loss) from discontinued operations, net of taxes	0.5	0.5	6.6	1.5	(91.5)	(15.2)	98.6
Net income (loss)	$ (2.0)	(1.8)%	$ 841.1	187.3%	$ (417.3)	(69.4)%	$ 1,256.4

Net Sales

	Successor Company	Predecessor Company		
	Two-Month Period Ended	Ten-Month Period Ended	Year Ended December 31, 2008	Change Amount

	December 31, 2009		October 25, 2009				
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	
				(In millions)			
Display Solutions	$ 51.0	46.0%	$ 231.9	51.6%	$ 304.1	50.5%	$ (21.2)
Power Solutions	4.7	4.3	7.6	1.7	5.4	0.9	6.9
Semiconductor Manufacturing Services	54.8	49.3	206.7	46.0	287.1	47.7	(25.7)
All other	0.5	0.5	2.8	0.6	5.0	0.8	(1.7)
	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)

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Net sales were $111.1 million for the two-month period ended December 31, 2009 and $449.0 million for the ten-month period ended October 25, 2009, or $560.1 million in aggregate, a $41.6 million, or 6.9%, decrease, compared to $601.7 million in 2008. Net sales generated in our three operating segments during 2009 in aggregate were $556.7 million, a decrease of $39.9 million, or 6.7%, from 2008. This decrease was principally due to the impact of the depreciation of the Korean won against the U.S. dollar in the amount of $17.6 million and a decrease in average selling prices of our products, both of which were partially offset by increases in product sales volume. Among our segments, net sales decreased for our Display Solutions and our Semiconductor Manufacturing Service segments which was offset in part by an increase in net sales from our Power Solutions segment.

Display Solutions. Net sales from Display Solutions were $51.0 million for the two-month period ended December 31, 2009 and $231.9 million for the ten-month period ended October 25, 2009, or $282.9 million in aggregate, a $21.2 million, or 7.0%, decrease from $304.1 million for 2008. The decrease resulted from a 24.9% decrease in average selling prices, primarily from display driver products for LCD televisions, PC monitors and mobile devices. The reduction in average selling prices in 2009 resulted in part from reduced demand for consumer electronics products generally, and new products in particular, during the first half of 2009 as a result of the worldwide economic slowdown. These decreases in average selling prices were partially offset by a 24.6% increase in sales volume. Volume increased in the second half of 2009 as the consumer electronics industry began to recover from the economic slowdown as demand and shipments for consumer electronics products such as digital televisions, PCs, and smartphones increased.

Power Solutions. Net sales from Power Solutions were $4.7 million for the two-month period ended December 31, 2009 and $7.6 million for the ten-month period ended October 25, 2009, or $12.4 million in aggregate, a $6.9 million, or 127.6%, increase from $5.4 million for 2008. The increase resulted from a 221.3% increase in sales volume, most of which was attributable to higher demand for MOSFET products driven by our existing and new customers. Such increases in volume were partially offset by a 29.4% decrease in average sales prices. We were able to attract new customers, largely due to MOSFET products utilized in high voltage technologies and computing solutions.

Semiconductor Manufacturing Services. Net sales from Semiconductor Manufacturing Services were $54.8 million for the two-month period ended December 31, 2009 and $206.7 million for the ten-month period ended October 25, 2009, or $261.4 million in aggregate, a $25.7 million, or 8.9%, decrease compared to net sales of $287.1 million for 2008. This decrease was primarily due to a 0.5% decrease in sales volume and 3.4% decrease in average selling price of eight-inch equivalent wafers given decreased market demand for such products.

All Other. Net sales from All other were $0.5 million for the two-month period ended December 31, 2009 and $2.8 million for the ten-month period ended October 25, 2009, or $3.3 million in aggregate compared to $5.0 million for 2008. This decrease of $1.7 million, or 33.6%, resulted from lower rental income due to the relocation of one of the lessees of one of our buildings.

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Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008:

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		
	Amount	% of Net Sales	Amount	% of Net Sales (In millions)	Amount	% of Net Sales	Change Amount
Korea	$ 62.2	56.0%	$ 244.3	54.4%	$ 301.0	50.0%	$ 5.5
Asia Pacific	25.6	23.0	116.9	26.0	144.5	24.0	(2.0)
Japan	6.5	5.8	31.6	7.0	79.9	13.3	(41.8)
North America	14.9	13.4	48.5	10.8	61.3	10.2	2.0
Europe	1.9	1.7	7.7	1.7	14.9	2.5	(5.4)
	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)

Net sales in Japan in 2009 declined as a percentage of total net sales principally as a result of declines in customer sales relating to electronic games due to the overall slowness in that market.

Gross Profit

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		
	Amount	% of Net Sales	Amount	% of Net Sales (In millions)	Amount	% of Net Sales	Change Amount
Display Solutions	$ 8.7	17.1%	$ 61.8	26.6%	$ 57.4	18.9%	$ 13.1
Power Solutions	0.7	15.5	1.4	18.8	(4.3)	(78.6)	6.4
Semiconductor Manufacturing Services	10.7	19.5	71.8	34.8	98.4	34.3	(15.9)
All other	0.5	100.0	2.8	100.0	4.9	97.3	(1.6)
	$ 20.7	18.6%	$ 137.8	30.7%	$ 156.4	26.0%	$ 2.1

Total gross profit was $20.7 million for the two-month period ended December 31, 2009 and $137.8 million for the ten-month period ended October 25, 2009, or $158.5 million in aggregate as compared to $156.4 million for 2008, a $2.1 million, or 1.3%, increase. Gross margin, or gross profit as a percentage of net sales, in 2009 was 28.3%, an increase of 2.3% from 26.0% for the year ended December 31, 2008. This increase in gross margin was primarily attributable to a $22.8 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar and an increase in sales volume. These increases were partially offset by lower average selling prices and the impact of a $17.2

million increase in our cost of sales as a result of the write-up of our inventory in accordance with the principles of fresh-start accounting upon the consummation of our reorganization proceedings. Cost of sales for the combined twelve-month period ended December 31, 2009 decreased by $43.7 million compared to 2008. The decreases in cost of sales were primarily due to a

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$40.4 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar, a $10.2 million decrease in labor costs, a $9.6 million decrease in subcontractor costs and a $3.2 million decrease in depreciation, which were partially offset by a $6.4 million increase in material costs resulting from the increase in sales volume and a $1.8 million increase of overhead costs. Gross margin for the two-month period ended December 31, 2009 was 18.6% as compared to 30.7% for the ten-month period ended October 25, 2009. Gross margin was higher in the ten-month period ended October 25, 2009 compared to the two-month period ended December 31, 2009 principally due to a $17.2 million one-time impact on cost of sales which is recorded in the two-month period ended December 31, 2009 associated with the step up of our inventory as a result of adoption of fresh-start accounting. As of December 31, 2009, $0.7 million of the total increase in inventory valuation remained. We included the remaining increase in inventory valuation in cost of sales for the quarter ending March 31, 2010. As a result, we expect gross margin in future periods to return to historical levels, excluding foreign currency fluctuation impacts.

Display Solutions. Gross margin for Display Solutions for the combined twelve-month period ended December 31, 2009 improved to 24.9% compared to 18.9% for the year ended December 31, 2008 primarily due to a decrease in unit costs resulting from a 24.6% increase in sales volume compared to 2008 offset in part by lower average selling prices and the impact of the write-up of our inventory in accordance with fresh-start accounting. Cost of sales for the combined twelve-month period ended December 31, 2009 decreased by $34.3 million compared to 2008, primarily due to a $17.8 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar, a $7.1 million decrease in labor costs, a $8.2 million decrease in subcontractor costs and a $3.8 million decrease in depreciation, which were partially offset by a $3.8 million increase in material costs due to increased sales volume and a $7.2 million increase resulting from the step-up of our inventory valuation as a result of our adoption of fresh-start accounting.

Power Solutions. Gross margin for Power Solutions for the combined twelve-month period ended December 31, 2009 improved to 17.5% compared to (78.6)% for the year ended December 31, 2008 primarily due to lower unit costs resulting from the 221.3% increase in sales volume offset in part by lower average selling prices and the impact of the write-up of our inventory in accordance with fresh-start accounting. Cost of sales for the combined twelve-month period ended December 31, 2009 increased by $0.5 million compared to 2008, primarily due to a $2.3 million increase in material costs and a $1.1 million increase in overhead costs, which were partially offset by a $0.7 million favorable impact resulting from of the depreciation of the Korean won against the U.S. dollar. Gross margin was negative in 2008 as we first began operating the segment in late 2007 and had not yet achieved sales volumes required to generate a positive gross margin.

Semiconductor Manufacturing Services. Gross margin for Semiconductor Manufacturing Services decreased to 31.6% in the combined twelve-month period ended December 31, 2009 from 34.3% in the year ended December 31, 2008. This decrease was primarily due to an overall decrease in production volume and average selling prices in an aggregate amount of $29.5 million, partially offset by a $13.6 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar. Cost of sales for the combined twelve-month period ended December 31, 2009 decreased by $9.8 million compared to 2008, which was primarily attributable to a $21.9 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar, which was offset in part by a $0.4 million increase in material costs and a $10.9 million increase resulting from the step-up of our inventory valuation as a result of our adoption of fresh-start accounting.

All Other. Gross margin for All other for the combined twelve-month period ended December 31, 2009 increased to 100.0% from 97.3% for the year ended December 31, 2008. All net sales included in All other in 2009 represent rent revenues for which there is no cost of sales. For 2008, All other included limited revenue from unit processing which resulted in a gross margin of 97.3%.

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Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $70.8 million, or 12.6%, of net sales for the combined twelve-month period ended December 31, 2009, compared to $81.3 million, or 13.5%, for 2008. The decrease of $10.5 million, or 12.9%, from the prior-year period was attributable to a decrease of $7.2 million due to the depreciation of the Korean won against the U.S. dollar and a decrease of $3.6 million due to a reduction in headcount and a short-term decrease in salaries and related expenses in connection with our cost-reduction efforts in 2009 as well as a decrease in depreciation and amortization expenses of $4.9 million. These decreases were partially offset by a $6.1 million increase in outside service expenses.

Research and Development Expenses. Research and development expenses for the combined twelve-month period ended December 31, 2009 were $70.9 million, a decrease of $18.6 million, or 20.8%, from $89.5 million for the year ended December 31, 2008. This decrease was due to the depreciation of the Korean won against the U.S. dollar of $8.5 million, a $3.2 million decrease in salaries and related expenses due to lower headcount and our short-term decrease in salaries. Through our cost reduction initiatives, material costs decreased by $4.8 million and outside service fees decreased by $2.6 million. The remaining decrease in research and development expenses was attributable to reductions in various overhead expenses. Research and development expenses as a percentage of net sales were 12.7% in 2009, compared to 14.9% in 2008.

Restructuring and Impairment Charges. Restructuring and impairment charges decreased by $12.9 million in the combined twelve-month period ended December 31, 2009 compared to the year ended December 31, 2008. Restructuring charges of $0.4 million recorded in the ten-month period ended October 25, 2009 were related to the closure of one of our research and development facilities in Japan. Restructuring charges of $13.4 million for the year ended December 31, 2008 reflected an impairment charge of $14.2 million as a result of the significant reduction in net sales attributable to our Display Solutions products, offset in part by an $0.9 million reversal of unused accrued restructuring charges from prior periods.

Other Income (Expense)

Interest Expense, Net. Net interest expense was $32.4 million during the combined twelve-month period ended December 31, 2009, a decrease of $43.7 million compared to $76.1 million for the year ended December 31, 2008. Interest expense was incurred under our $750 million principal amount of notes and our senior secured credit facility. From June 12, 2009, the date of our initial reorganization filing, to October 25, 2009, we did not accrue interest expenses related to our notes, which were categorized as liabilities subject to compromise. Upon our emergence from our reorganization proceedings, our $750.0 million notes were discharged pursuant to the reorganization plan. Net interest expense in 2008 included a write-off of remaining debt issuance costs of $12.3 million related to our notes since we were not compliant with certain financial covenants under the terms of our notes and therefore, amounts outstanding were reclassified as current portion of long-term debt in our balance sheet as of December 31, 2008.

Foreign Currency Gain (Loss), Net. Net foreign currency gain for the combined twelve-month period ended December 31, 2009 was $52.8 million, compared to net foreign exchange loss of $210.4 million for the year ended December 31, 2008. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to repay these intercompany borrowings at their

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respective maturity dates. The Korean won to U.S. dollar exchange rates were 1,167.6:1 and 1,262.0:1 using the first base rate as of December 31, 2009 as quoted by the Korea Exchange Bank and the noon buying rate in effect as of December 31, 2008 as quoted by the Federal Reserve Bank of New York, respectively. The exchange rate quotation from the Federal Reserve Bank was available on or before December 31, 2008.

Reorganization items, Net. Net reorganization gain of $804.6 million in the ten-month period ended October 25, 2009 represents the impact of non-cash reorganization income and expense items directly associated with our reorganization proceedings and primarily reflects the discharge of liabilities of $798.0 million. Net reorganization gain also includes professional fees, the revaluation of assets and the write-off of debt issuance costs. These items are related primarily to our reorganization proceedings, and are not the result of our current operations. Accordingly, we do not expect these items to continue on an ongoing basis. Further information on reorganization related items is discussed in note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus.

Income Tax Expenses

Income Tax Expenses. Income tax expenses for the combined twelve-month period ended December 31, 2009 were $9.2 million, compared to income tax expenses of $11.6 million for the year ended December 31, 2008. Income tax expense for 2009 was comprised of $6.7 million of withholding taxes mostly paid on intercompany interest payments, $0.8 million of current income taxes incurred in various jurisdictions in which we operate and a $1.7 million income tax effect from the change of deferred tax assets. Due to the uncertainty of the utilization of foreign tax credits, we did not recognize these withholding taxes as deferred tax assets.

Income from Discontinued Operations, Net of Taxes

Income from Discontinued Operations, Net of Taxes. During 2008, we closed our Imaging Solutions business segment, recognizing a net loss of $91.5 million from discontinued operations, of which $15.9 million was from negative gross margin, $37.5 million was from research and development cost and $34.2 million was attributable to restructuring and impairment charges incurred during the third quarter of 2008. During the combined twelve-month period ended December 31, 2009, we recognized net income of $7.1 million relating to our discontinued operations, largely due to the sale of patents related to our closed Imaging Solutions business segment, which resulted in a $8.3 million gain.

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Results of Operations Comparison of Years Ended December 31, 2008 and December 31, 2007

The following table sets forth consolidated results of operations for the years ended December 31, 2008 and December 31, 2007:

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		
	Amount	% of Net Sales	Amount (In millions)	% of Net Sales	Change Amount
Net sales	$ 601.7	100.0%	$ 709.5	100.0%	$ (107.8)
Cost of sales	445.3	74.0	578.9	81.6	(133.6)
Gross profit	156.4	26.0	130.7	18.4	25.8
Selling, general and administrative expenses	81.3	13.5	82.7	11.7	(1.4)
Research and development expenses	89.5	14.9	90.8	12.8	(1.4)
Restructuring and impairment charges	13.4	2.2	12.1	1.7	1.3
Operating income (loss) from continuing operations	(27.7)	(4.6)	(54.9)	(7.7)	27.2
Interest expense, net	(76.1)	(12.7)	(60.3)	(8.5)	(15.8)
Foreign currency gain (loss), net	(210.4)	(35.0)	(4.7)	(0.7)	(205.7)
	(286.5)	(47.6)	(65.0)	(9.2)	(221.5)
Income (loss) from continuing operations before income taxes	(314.3)	(52.2)	(120.0)	(16.9)	(194.3)
Income tax expenses	11.6	1.9	8.8	1.2	2.8
Income (loss) from continuing operations,	(325.8)	(54.2)	(128.8)	(18.2)	(197.0)
Income (loss) from discontinued operations, net of taxes	(91.5)	(15.2)	(51.7)	(7.3)	(39.7)
Net income (loss)	$ (417.3)	(69.4)%	$ (180.6)	(25.4)%	$ (236.7)

Net Sales

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		
	Amount	% of Total	Amount (In millions)	% of Total	Change Amount
Display Solutions	$ 304.1	50.5%	$ 331.7	46.7%	$ (27.6)
Power Solutions	5.4	0.9			5.4
Semiconductor Manufacturing Services	287.1	47.7	321.0	45.2	(33.9)
All other	5.0	0.8	56.8	8.0	(51.8)
	$ 601.7	100.0%	$ 709.5	100.0%	$ (107.8)

Net sales for the year ended December 31, 2008 decreased $107.8 million, or 15.2%, compared to 2007. Net sales generated in our three operating segments during the year ended December 31, 2008 were $596.6 million, a decrease of $56.1 million, or 8.6%, from the net sales for 2007, primarily due to a $27.6 million, or 8.3%, decrease in net sales from our Display Solutions segment and a $33.9 million, or 10.6%, decrease in net sales from our Semiconductor Manufacturing Services segment. Net sales from All other decreased $51.8 million, or 91.2%, compared to the year ended December 31,

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2007. Our Korean-based net sales were also lower due to a $21.8 million unfavorable impact resulting from the depreciation of the Korean won against the U.S. dollar.

Display Solutions. Net sales from our Display Solutions segment for the year ended December 31, 2008 were $304.1 million, a $27.6 million, or 8.3%, decrease, from $331.7 million for 2007. The decrease resulted primarily from a 15.6% decline in average selling prices which was due to a higher percentage of our net sales of products with lower sales prices and a 4.6% decline in sales volume.

Power Solutions. Net sales from our Power Solutions segment for the year ended December 31, 2008 were $5.4 million. No sales occurred for the year ended December 31, 2007 as our Power Solutions segment was launched in late 2007 and did not start making sales until 2008.

Semiconductor Manufacturing Services. Net sales from our Semiconductor Manufacturing Services segment for the year ended December 31, 2008 were $287.1 million, a $33.9 million, or 10.6%, decrease compared to net sales of $321.0 million for 2007. This decrease was primarily due to a 5.5% decrease in average selling prices and 3.0% decrease in sales volume. During the fourth quarter of 2008 our net sales were adversely impacted by the worldwide economic slowdown.

All Other. Net sales from All other for 2008 were $5.0 million compared to $56.8 million for 2007. This decrease of $51.8 million, or 91.2%, represents the revenue decrease from our unit processing services as such services were no longer required by our sole customer for the service.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the years ended December 31, 2008 and December 31, 2007:

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		
	Amount	% of Total	Amount (In millions)	% of Total	Change Amount
Korea	$ 301.0	50.0%	$ 404.3	57.0%	(103.3)
Asia Pacific	144.5	24.0	155.5	21.9	(11.0)
Japan	79.9	13.3	71.2	10.0	8.7
North America	61.3	10.2	58.5	8.2	2.8
Europe	14.9	2.5	20.0	2.8	(5.1)
Total net revenues	$ 601.7	100.0%	$ 709.5	100.0%	(107.8)

Net sales in Korea in 2008 declined as a percentage of total net sales, principally due to reduced revenue from unit processing services and the overall slowness in the semiconductor manufacturing market. The sales were also affected by lower demand for large display driver products.

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Gross Profit

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Display Solutions	$ 57.4	18.9%	$ 41.5	12.5%	$ 15.9
Power Solutions	(4.3)	(78.6)			(4.3)
Semiconductor Manufacturing Services	98.4	34.3	67.1	20.9	31.3
All other	4.9	97.3	22.0	38.7	(17.1)
	$ 156.4	26.0%	$ 130.7	18.4%	$ 25.8

Total gross profit increased $25.8 million for the year ended December 31, 2008, or 19.7%, compared to the gross profit generated for the year ended December 31, 2007. Gross margin for the year ended December 31, 2008 was 26.0% of net sales, an increase of 7.6% from 18.4% for the year ended December 31, 2007. This increase in gross margin was attributable to a $30.9 favorable impact due to the depreciation of the Korean won against the U.S. dollar and an overall decrease in unit costs which offset lower average sales prices. Cost of sales in 2008 decreased by $133.6 million compared to 2007, primarily due to a $52.7 million favorable impact resulting from the depreciation of Korean won against U.S. dollar, a $17.4 million decrease in depreciation and a $11.2 million decrease in overhead costs, which were partially offset by a $6.3 million increase in labor costs. In addition, $34.2 million in cost of sales for unit processing services which were incurred during 2007 were not incurred in 2008 as we no longer rendered the services.

Display Solutions. Gross margin for our Display Solutions segment for the year ended December 31, 2008 increased to 18.9% compared to 12.5% for 2007. This increase was primarily due to a $18.3 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar. Cost of sales for 2008 decreased by $43.5 million compared to 2007, which was primarily attributable to a $24.8 million favorable impact resulting from the depreciation of Korean won against U.S. dollar and a $5.5 million decrease in depreciation and a $9.6 million decrease in subcontractor costs which were offset in part by a $5.7 million increase in labor costs.

Power Solutions. Gross margin for our Power Solutions segment for the year ended December 31, 2008 was (78.6)%. This negative gross margin was due to high fixed production costs per unit resulting from low production volume as we commenced sales in our Power Solutions segment in 2008.

Semiconductor Manufacturing Services. Gross margin for our Semiconductor Manufacturing Services segment increased to 34.3% in the year ended December 31, 2008 from 20.9% for 2007. This increase was due to a decrease in cost of sales, primarily due to a $13.0 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar. Cost of sales for 2008 decreased by $65.2 million compared to 2007. The decrease was primarily attributable to a $26.9 million favorable impact resulting from the depreciation of Korean won against U.S. dollar, a $12.3 million decrease in depreciation and a $11.6 million decrease in overhead costs, which were partially offset by a $1.3 million increase in material costs.

All Other. Gross margin for All other for the year ended December 31, 2008 increased to 97.3% from 38.7% for 2007. The improvement was primarily attributable to a decrease in sales volume for unit processing while rental revenue, for which there are no allocated cost of sales, remained comparable to the prior year.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $81.3 million, or 13.5%, of net sales for the year ended December 31, 2008 compared to $82.7 million, or 11.7%, for 2007. The decrease of $1.4 million, or 1.7%, was primarily attributable to a $10.4 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar and a $3.1 million decrease in depreciation and amortization expenses. These decreases were partially offset by a $9.9 million increase in outside service fees and a $3.6 million increase in salaries.

Research and Development Expenses. Research and development expenses for the year ended December 31, 2008 were $89.5 million, a decrease of $1.4 million, or 1.5%, from $90.8 million for 2007. This decrease was primarily attributable to a $11.3 million favorable impact resulting from the depreciation of the Korean won against the U.S. dollar partially offset by a $7.1 million increase in salaries and a $1.9 million increase in outside service fees.

Restructuring and Impairment Charges. Restructuring and impairment charges for the year ended December 31, 2008 included an impairment charge of $14.2 million related to our Display Solutions segment. During the three months ended July 1, 2007, we recognized $2.0 million of restructuring accruals related to the closure of our five-inch wafer fabrication facilities, including termination benefits and other associated costs. Through the first quarter of 2008, actual payments of $1.1 million were charged against the restructuring accruals. As of March 30, 2008, the restructuring activities were substantially completed and we reversed $0.9 million of unused restructuring accruals.

During the year ended December 31, 2007, we recognized restructuring and impairment charges of $12.1 million, which consisted of $10.1 million of impairment charges and $2.0 million of restructuring charges. The impairment charges recorded related to the closure of our five-inch wafer fabrication facility.

Other Income (Expense)

Interest Expense, Net. Net interest expense was $76.1 million during the year ended December 31, 2008, compared to $60.3 million for 2007. Interest expense was incurred to service our notes and our senior secured credit facility. At December 31, 2008, the notes and our senior secured credit facility bore interest at a weighted average interest rate of 7.14% and 7.90%, respectively. The increase in net interest expense was mainly due to a write-off of remaining debt issuance costs of $12.3 million related to our notes as of December 31, 2008 since we were not in compliance with certain financial covenants under the terms of our notes and therefore, amounts outstanding were reclassified as current in our balance sheet as of December 31, 2008.

Foreign Currency Gain (Loss), Net. Net foreign currency loss for the year ended December 31, 2008 was $210.4 million, compared to net foreign exchange loss of $4.7 million for the year ended December 31, 2007. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to repay these intercompany borrowings at their respective maturity dates. The Korean won to U.S. dollar exchange rates were 1,262.0:1 and 935.8:1 using the noon buying rate in effect as of December 31, 2008 and December 31, 2007, respectively, as quoted by the Federal Reserve Bank of New York.

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Income Tax Expenses

Income Tax Expenses. Income tax expenses for the year ended December 31, 2008 were $11.6 million, compared to income tax expenses of $8.8 million for 2007. Income tax expenses for 2008 were comprised of $6.1 million of withholding taxes mostly paid on intercompany interest payments, $4.0 million of current income taxes incurred in various jurisdictions in which we operate and a $1.5 million income tax effect from a change of deferred tax assets. Due to the uncertainty of the utilization of foreign tax credits, we did not recognize these withholding taxes as deferred tax assets.

Loss from Discontinued Operations, Net of Taxes

Loss from Discontinued Operations, Net of Taxes. During 2008, we closed our Imaging Solutions business segment that was classified as a discontinued operation, recognizing net losses of $91.5 million and $51.7 million from discontinued operations for 2008 and for 2007, respectively. Of the recorded net loss of $91.5 million in 2008, $15.9 million was from negative gross margin, $37.5 million was from research and development costs and $34.2 million was attributable to restructuring and impairment charges incurred during the third quarter of 2008.

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Periodic Results of Operations

The following tables set forth unaudited selected consolidated financial data for each of the quarters in the six-quarter period ended June 30, 2010. The information for each of these periods has been prepared on the same basis as the audited financial statements included elsewhere in this prospectus and, in the opinion of management, includes adjustments for normal recurring items, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These operating results are not necessarily indicative of our operating results for any future period.

	Successor(1)			Predecessor(1)			
	Three Months Ended		Two-Month Period Ended	One-Month Period Ended	Three Months Ended		
	June 30, 2010*	March 31, 2010*	December 31, 2009**	October 25, 2009*	September 27, 2009*	June 28, 2009*	March 29, 2009*
	(in million)						
Statements of Operations Data:							
Net sales	$ 194.7	$ 179.5	$ 111.1	$ 51.2	$ 156.6	$ 139.7	$ 101.5
Cost of sales	130.2	130.1	90.4	34.8	104.5	91.4	80.6
Gross profit	64.5	49.4	20.7	16.5	52.2	48.3	20.9
Selling, general and administrative expenses	16.0	17.9	14.5	5.5	17.2	18.4	15.3
Research and development expenses	20.5	20.5	14.7	5.2	17.7	16.2	17.0
Restructuring and impairment charges	0.3	0.3				0.4	0.1
Operating income (loss) from continuing operations	27.8	10.6	(8.6)	5.8	17.3	13.4	(11.4)
Interest expense, net	(6.6)	(2.0)	(1.3)	(1.0)	(2.6)	(12.8)	(14.7)
Foreign currency gain (loss), net	(48.3)	21.6	9.3	7.4	45.4	30.8	(40.2)
Reorganization items, net				809.0	(4.1)	(0.3)	
Others	(1.0)	(0.1)					
	(55.8)	19.5	8.1	815.4	38.7	17.6	(54.9)
Income (loss) from continuing operations before income taxes	(28.0)	30.1	(0.5)	821.2	56.0	31.0	(66.3)
Income tax expenses (benefits)	2.7	(1.0)	1.9	(0.1)	2.4	2.4	2.6
Income (loss) from continuing operations	(30.7)	31.1	(2.5)	821.3	53.5	28.6	(68.9)
Income (loss) from discontinued operations, net of taxes			0.5	(0.6)	8.9	(1.0)	(0.8)
Net income (loss)	$ (30.7)	$ 31.1	$ (2.0)	$ 820.7	$ 62.4	$ 27.6	$ (69.7)
Supplemental Data (unaudited):							
Adjusted EBITDA(2)	$ 43.8	$ 28.7	$ 22.1	$ 10.6	$ 34.5	$ 29.3	$ 2.3
Adjusted Net Income (Loss)(3)	25.7	19.9	13.3	6.9	20.4	5.0	(22.9)

* Derived from our unaudited interim consolidated financial statements.

** Derived from our audited consolidated financial statements.

(1) As of October 25, 2009, the fresh-start adoption date, we adopted fresh-start accounting for our consolidated financial statements. Because of the emergence from reorganization proceedings and adoption of fresh-start accounting, the historical financial information for periods after October 25, 2009 is not fully comparable to periods before October 25, 2009. See Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Changes to Our Business.

(2) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expenses (benefits), (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO

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expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (ix) equity-based compensation expense, (x) reorganization items, net, (xi) foreign currency gain (loss), net and (xii) derivative valuation gain (loss), net. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Successor(1)			Predecessor(1)			
	Three Months Ended		Two-Month Period Ended	One-Month Period Ended	Three Months Ended		
	June 30, 2010*	March 31, 2010*	December 31, 2009**	October 25, 2009*	September 27, 2009*	June 28, 2009*	March 29, 2009*
	(in million)						
Net income (loss)	$ (30.7)	$ 31.1	$ (2.0)	$ 820.7	$ 62.4	$ 27.6	$ (69.7)
Less: Income (loss) from discontinued operations, net of taxes			0.5	(0.6)	8.9	(1.0)	(0.8)
Income (loss) from continuing operations	(30.7)	31.1	(2.5)	821.3	53.5	28.6	(68.9)
Adjustments:							
Depreciation and amortization associated with continuing operations	14.5	15.5	11.2	3.6	11.9	11.7	10.4
Interest expense, net	6.6	2.0	1.3	1.0	2.6	12.8	14.7
Income tax expenses (benefits)	2.7	(1.0)	1.9	(0.1)	2.4	2.4	2.6
Restructuring and impairment charges(a)	0.3	0.3				0.4	0.1
Other restructuring charges(b)				1.1	5.3	3.7	3.1
Reorganization items, net(c)				(809.0)	4.1	0.3	
Inventory step-up(d)		0.9	17.2				
Equity based compensation expense(e)	1.3	1.5	2.2		0.1	0.1	0.1
Foreign currency loss (gain), net(f)	48.3	(21.6)	(9.3)	(7.4)	(45.4)	(30.8)	40.2
Derivative valuation loss, net(g)	1.0	0.1					
Adjusted EBITDA	$ 43.8	$ 28.7	$ 22.1	$ 10.6	$ 34.5	$ 29.3	$ 2.3

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the three months ended June 30 and March 31, 2010, impairment of two abandoned in-process research and development projects in each period, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting and (ii) for the three months ended June 28 and March 29, 2009, termination benefits and other related costs in connection with the closure of one of our research and development facilities in Japan.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are restructuring-related professional fees and related expenses incurred during each period.

(c) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. These items are comprised of the following: (i) for the one-month period ended October 25, 2009, our predecessor s gain recognized upon the effectiveness of the reorganization plan which was primarily composed of debt discharge gains and net of reorganization related professional fees and other charges, and (ii) for three months ended September 27 and June 28, 2009, professional fees incurred in connection with our reorganization proceedings.

(d) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(e) This adjustment eliminates the impact of non-cash equity-based compensation expenses.

(f) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables.

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(g) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

(3) We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes, excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) abandoned IPO expenses, (vi) subcontractor claim settlement, (v) reorganization items, net, (vi) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vii) equity based compensation expense, (viii) amortization of intangibles associated with continuing operations, (ix) foreign currency gain (loss) and (x) derivative valuation gain (loss), net. The following table summarizes the adjustments to net income (loss) that we make in order to calculate Adjusted Net Income for the periods indicated:

	Successor(1)			**Predecessor(1)**			
	Three Months Ended		**Two-Month Period Ended**	**One-Month Period Ended**	**Three Months Ended**		
	June 30, 2010*	**March 31, 2010***	**December 31, 2009****	**October 25, 2009***	**September 27, 2009***	**June 28, 2009***	**March 29, 2009***
				(in million)			
Net income (loss)	$ (30.7)	$ 31.1	$ (2.0)	$ 820.7	$ 62.4	$ 27.6	$ (69.7)
Less: Income (loss) from discontinued operations, net of taxes			0.5	(0.6)	8.9	(1.0)	(0.8)
Income (loss) from continuing operations	(30.7)	31.1	(2.5)	821.3	53.5	28.6	(68.9)
Adjustments:							
Restructuring and impairment charges(a)	0.3	0.3				0.4	0.1
Other restructuring charges(b)				1.1	5.3	3.7	3.1
Reorganization items, net(c)				(809.0)	4.1	0.3	
Inventory step-up(d)		0.9	17.2				
Equity based compensation expense(e)	1.3	1.5	2.2		0.1	0.1	0.1
Amortization of intangibles associated with continuing operations(f)	5.7	7.7	5.6	0.9	2.8	2.7	2.4
Foreign currency loss (gain), net(g)	48.3	(21.6)	(9.3)	(7.4)	(45.4)	(30.8)	40.2
Derivative valuation loss, net(h)	1.0	0.1					
Adjusted Net Income (Loss)	$ 25.7	$ 19.9	$ 13.3	$ 6.9	$ 20.4	$ 5.0	$ (22.9)

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the three months ended June 30 and March 31,2010, impairment of two abandoned in-process research and development projects in each period, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting and (ii) for the three months ended June 28 and March 29, 2009, termination benefits and other related costs in connection with the closure of one of our research and development facilities in Japan.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are restructuring-related professional fees and related expenses incurred during each period.

(c) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. These items are comprised of the following: (i) for the one-month period ended October 25, 2009, our predecessor s gain recognized upon the effectiveness of the reorganization plan which was primarily composed of debt discharge gains and net of reorganization related professional fees and other charges, and (ii) for three months ended September 27 and June 28, 2009, professional fees incurred in connection with our reorganization proceedings.

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(d) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(e) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(f) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings.

(g) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables.

(h) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

Net sales have increased quarter over quarter since the first quarter of 2009, primarily as a result of increases in sales volume resulting from increased demand as the consumer electronics industry began to recover from the economic slowdown. Net sales increased 37.7% from the three months ended March 29, 2009 to the three months ended June 28, 2009 partially due to the fact that the first quarter is traditionally a seasonally slow quarter for us due to reduced demand for consumer products after the end of the holiday season. Our net sales for the three months ended March 31, 2010 increased by 10.6% from the combined three-month period ended December 31, 2009 as the overall recovery from the economic slowdown had a greater impact than our typical seasonal weakness. Our net sales for the three months ended June 30, 2010 increased by 8.5% from the three months ended March 31, 2010 due to the improved product mix and increased market demand as the consumer electronics industry continues to recover from the economic slowdown.

Gross margin increased to 34.6% and 33.3% in the three months ended June 28 and September 27, 2009, respectively, from 20.6% in the three months ended March 29, 2009. The increase was primarily related to an increase in sales volume resulting from increased demand in connection with the global economic recovery and the impact of our cost reduction efforts. Gross margin in the combined three-month period ended December 31, 2009 decreased primarily due to a $17.2 million unfavorable impact which resulted from the write-up of our inventory in accordance with the principles of fresh-start accounting upon our emergence from reorganization proceedings. Gross margin in the three months ended March 31, 2010 improved as compared to the combined three-month period ended December 31, 2009 as the unfavorable impact from the inventory write-up of our inventory was limited to $0.9 million which had not yet been recognized as of December 31, 2009. Gross margin increased to 33.1% in the three months ended June 30, 2010 from 27.5% in the three months ended March 31, 2010. The increase was primarily due to increased sales volume and improved utilization of our manufacturing facilities.

Selling, general and administrative expenses for the three months ended June 28 and September 27, 2009 increased compared to the three months ended March 29, 2009 primarily due to the increase in outside service fees for restructuring-related professional fees and related expenses. Selling, general and administrative expenses for the combined three-month period ended December 31, 2009 increased compared to the three months ended September 27, 2009 due to an increase in salaries resulting from incentive payments made to our employees following our successful emergence from our reorganization proceedings and an increase in amortization expenses resulting from the write-up of certain intangible assets in accordance with the application of fresh-start accounting. Selling, general and administrative expenses for the three months ended June 30, 2010 decreased compared to the three months ended March 31, 2010 primarily due to decreases in depreciation and amortization as amortization of certain intangible assets was completed in April 2010.

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Research and development expenses remained relatively constant in absolute dollars over the six quarter period. Research and development expense as a percentage of net sales was 16.7% in the three months ended March 29, 2009, which was higher than other quarters due to the substantially lower net sales in the three months ended March 29, 2009.

Restructuring and impairment charges for the three months ended June 28 and March 29, 2009 were related to termination benefits and other related costs in connection with the closure of one of our research and development facilities in Japan. Restructuring and impairment charges for the three months ended June 30 and March 31,2010 were related to impairment of two abandoned in-process research and development projects in each period, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting.

Interest expense, net decreased in the three months ended September 27, 2009 as we did not accrue for interest expense related to our $750.0 million notes from June 12, 2009, the date of our initial reorganization filing, to October 25, 2009, as they were categorized as liabilities subject to compromise. These notes were discharged pursuant to the reorganization plan upon our emergence from our reorganization proceedings. As a result of our April 2010 senior notes offering and repayment of new term loan, our interest expense, net for the three months ended June 30, 2010 increased compared to the three months ended March 31, 2010.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowing at our Korean subsidiary and is affected by changes in the exchange rate between Korean won and the U.S. dollar. During the three months ended March 29, 2009 and the three months ended June 30, 2010, foreign currency loss was recognized due to the depreciation of the Korean won against the U.S. dollar. From the three months ended June 28, 2009 to three months ended March 31, 2010, foreign currency gains have been recognized due to the appreciation of the Korean won against the U.S. dollar.

Reorganization items, net were incurred from the Reorganization Proceedings, implementation of our Plan of Reorganization, and the adoption of fresh-start reporting, and consisted mainly of the discharge of liabilities subject to compromise.

The majority of others for the three months ended March 31, 2010 were comprised of losses on valuation of derivatives, which represents either hedge ineffectiveness or components of changes in fair value of derivatives excluded from the assessments of hedge effectiveness. Others for the three months ended June 30, 2010 was comprised of loss on valuation of derivatives, which represents either hedge ineffectiveness or components of changes in fair value of derivatives excluded from the assessments of hedge effectiveness.

Income tax expense for 2009 and the three months ended June 30, 2010 was primarily comprised of withholding taxes paid on intercompany interest payments, current income taxes incurred in various jurisdictions in which we operate and the income tax effect from the change of deferred tax assets. Income tax benefits in the three months ended March 31, 2010 were primarily derived from the reversal of liabilities for uncertain tax positions due to the lapse of the applicable statute of limitations.

Income (loss) from discontinued operations during 2009 related to our former Imaging Solutions business segment. Income from discontinued operations in the three months ended September 27, 2009 was primarily derived from the sale of patents related to Imaging Solutions business segment.

Liquidity and Capital Resources

Our principal capital requirements are to invest in research and development and capital equipment, to make debt service payments and to fund working capital needs. We calculate working capital as current assets less current liabilities.

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Our principal sources of liquidity are our cash and cash equivalents, our cash flows from operations and our financing activities, including $46.1 million of net proceeds from the $250 million aggregate principal amount senior notes offering. The principal purpose of the senior notes offering was to fund a $130.7 million distribution to our unitholders. Most of our current equity holders are former creditors and the distribution allowed us to provide a return to creditors that supported us during our reorganization proceedings. The distribution to our unitholders was approved by our board of directors and was not required due to any contractual or other obligation. In addition to the distribution, we used the proceeds of the senior notes offering to increase our cash reserves and pay down current debt that was accruing interest at a higher rate than the notes. We funded the distribution and other uses of proceeds through the senior notes offering because we believed that the debt market at the time would be receptive to the offering and because we could effect a debt offering faster than other forms of financing, including equity financing. Although we currently anticipate these sources of liquidity will be sufficient to meet our cash needs through the next twelve months, we were cash flow negative for the two-month period ended December 31, 2009 as well as for 2008 and 2007 and we may require or choose to obtain additional financing. Our ability to obtain financing will depend, among other things, on our business plans, operating performance, and the condition of the capital markets at the time we seek financing and could be adversely impacted by our 2009 reorganization proceedings and our non-compliance with bank covenants that preceded the filing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. The current rating of our senior notes is B2 by Moody s and B+ by Standard and Poors, both of which are below investment grade. Any lowering of these ratings would adversely impact our ability to raise additional debt financing and increase the cost of any such financing that is obtained. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common units, and our unitholders may experience dilution. If we need to raise additional funds in the future and are unable to do so or obtain additional financing on unfavorable terms in the future, it is possible we would have to limit certain planned activities including sales and marketing and research and development activities. As of June 30, 2010, our cash and cash equivalents balance was $141.3 million, a $76.4 million increase, compared to $64.9 million as of December 31, 2009. The increase resulted from $50.9 million of cash inflow provided by operating activities and $45.9 million of cash inflow provided by financing activities, which was offset by $20.2 million cash outflow used in investing activities. As of December 31, 2009, our cash and cash equivalents balance was $64.9 million, a $49.1 million increase from our cash, cash equivalents and restricted cash balance of $15.8 million as of December 31, 2008. The increase in cash and cash equivalents for the combined twelve-month period ended December 31, 2009 was primarily attributable to a cash inflow of $41.5 million from operating activities, coupled with a cash inflow of $11.5 million from investing activities.

Cash Flows from Operating Activities

Cash inflows generated by operating activities totaled $50.9 million for the six months ended June 30, 2010, compared to $25.5 million of cash provided by operating activities in the six months ended June 28, 2009. The increase was primarily attributable to increase in gross profit of $44.7 million resulting from higher net sales. The net operating cash inflow for the six months ended June 30, 2010 reflects our net income of $0.4 million adjusted by non-cash charges of $73.9 million which mainly consisted of depreciation and amortization charges and loss on foreign currency translation, net which was partially offset by an increase in net operating assets of $23.3 million.

Cash flows generated by operating activities totaled $41.5 million in the combined twelve-month period ended December 31, 2009, compared to $18.4 million of cash used in operating activities in 2008. This increase in cash flows was primarily attributable to income from continuing operations which improved due to the restructuring of our operations and our reorganization plan as described above. The net operating cash inflow for the combined twelve-month period ended December 31, 2009

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principally reflected our net income of $839.1 million adjusted by non-cash charges of $799.4 million, which mainly consisted of non-cash reorganization items derived from our reorganization plan.

In 2008, cash flows used in operating activities totaled $18.4 million, compared to $23.7 million in 2007. The decrease was primarily driven by lower operating results adjusted by non-cash charges, which mainly consisted of depreciation and amortization charges and loss on foreign currency translation.

Our working capital balance as of June 30, 2010 was $212.0 million compared to $128.5 million as of December 31, 2009. The $83.6 million increase was primarily attributable to a $76.4 million increase in cash and cash equivalents provided by operating activities and financing activities, a $43.5 million increase in accounts receivable due to increase in net sales, which was partially offset by a $9.7 million increase in accounts payable and a $15.4 million increase in other accounts payable.

Our working capital balance as of December 31, 2009 was $128.5 million, compared to negative $814.5 million as of December 31, 2008. The significant increase in our working capital balance was principally due to the discharge of $750.0 million in debt recorded in current liabilities resulting from our reorganization plan in 2009 as well as cash generated from operations and investing activities.

Our working capital balance as of December 31, 2008 was negative $814.5 million, compared to $55.6 million as of December 31, 2007. The significant decrease in our working capital balance was mainly due to the reclassification of long-term debt to current in 2008. In addition, as a result of our operating performance in the quarter ended December 31, 2008, our cash balances, accounts receivable and inventory were significantly lower as compared to December 31, 2007.

Cash Flows from Investing Activities

Cash flows used in investing activities totaled $20.2 million in the six months ended June 30, 2010, compared to $19.2 million of cash used in investing activities in the six months ended June 28, 2009. The increase was primarily due to a increase in capital expenditure of $18.5 million, which was offset by a decrease in restricted cash of $17.5 million.

Cash flows generated by investing activities totaled $11.5 million in the combined twelve-month period ended December 31, 2009, compared to $39.6 million of cash used in investing activities in the 2008. In 2009, we had a decrease in capital expenditures of $20.5 million from $29.7 million in 2008 to $9.2 million in the combined twelve-month period ended December 31, 2009. In 2008, cash of $11.8 million was restricted pursuant to the terms of a forbearance agreement in relation to short-term borrowings; in 2009, it was released from restriction in connection with our reorganization plan. Cash flow from investing activities in 2009 also included cash proceeds of $9.4 million from the sale of intangible assets.

In 2007, cash flows used in investing activities totaled $81.8 million, primarily due to capital expenditures of $86.6 million related to capacity expansion and technology improvements at a fabrication facility in anticipation of sales growth in future periods. A significant portion of this capital investment was originally targeted for use by our discontinued Imaging Solutions segment and has since been repurposed for the other segments of our business, allowing us to maintain a relatively low level of capital investment in 2008 and 2009.

Cash Flows from Financing Activities

Cash flows provided by financing activities totaled $45.9 million in the six months ended June 30, 2010, compared to nil in the six months ended June 28, 2009. In the six months ended June 30, 2010, we completed $250 million in aggregate principal amount of 10.5% senior notes due 2018, which we refer to as our senior notes. Of the $238.4 million of net proceeds, which represents $250 million of principal amount net of $3.3 million of original issue discount and $8.3 million of debt issuance costs, $130.7 million was used to make a distribution to our unitholders and $61.8 million was used to repay all outstanding borrowings under our term loan.

Cash flows provided by financing activities totaled $2.0 million in the combined twelve-month period ended December 31, 2009, compared to $14.7 million in 2008. There were no significant financing activities in 2009 other than the repayment of short-term borrowings and the issuance of common units as part of our reorganization in 2009.

During the year ended December 31, 2007, we borrowed $130.1 million under our senior secured credit facility which offset repayments under the same facility of $50.1 million during the same period. At December 31, 2007, we had borrowed $80.0 million under our senior secured credit facility and had additional letters of credit of $15.5 million issued under the facility.

Capital Expenditures

We routinely make capital expenditures to enhance our existing facilities and reinforce our global research and development capability.

For the six months ended June 30, 2010, capital expenditures were $20.8 million, a $18.5 million, or 827.8%, increase from $2.2 million in the six months ended June 28, 2009.

For the combined twelve-month period ended December 31, 2009, capital expenditures were $9.2 million, a $20.5 million, or 69.0%, decrease from $29.7 million in 2008.

For the year ended December 31, 2008, capital expenditures were $29.7 million, a $56.9 million, or 65.7%, decrease from $86.6 million in 2007. Significant capital expenditures in 2007 were used to support capacity expansion and technology improvements at our fabrication facilities in anticipation of sales growth in future periods. Since then, these expenditures have been reduced. This year-over-year decrease was a result of managing our capital expenditure timing in order to better support the growth of our business from new customers and to optimize asset utilization and return on capital investments.

Seasonality

Our net sales and number of distinct products sold are affected by market variations from quarter to quarter due to business cycles, and resulting product demand, of our customers. Our Display Solutions business typically experiences demand increases in the third and fourth calendar quarters due to increased holiday demand for the consumer products that serve as the end markets for our products. During the first quarter, by contrast, consumer products manufacturers generally reduce orders in order to reduce excess inventory remaining from the holiday season. In our Semiconductor Manufacturing Services business, the supply-demand cycle is usually one quarter ahead of the broader semiconductor market due to lead time from wafer input to shipment to our customers, so the demand for these products tends to peak in the third quarter and is slower in the fourth and first quarters.

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Contractual Obligations

The following summarizes our contractual obligations as of June 30, 2010:

	Payments Due by Period						
	Total	Remainder of 2010	2011	2012	2013	2014	Thereafter
				(In millions)			
Senior notes(1)	$ 460.7	$ 13.6	$ 26.3	$ 26.3	$ 26.3	$ 26.3	$ 341.9
Operating lease(2)	46.0	2.7	2.0	1.8	1.8	1.8	35.9
Others(3)	14.0	3.2	6.4	4.2	0.2		

(1) $250 million aggregate principal amount as well as interest payments of senior notes issued in April 2010, which bear interest at a rate of 10.5% per annum and mature in 2018.

(2) Assumes constant currency exchange rate for Korean won to U.S. dollars of 1,210.3:1.

(3) Includes license agreements and other contractual obligations.

The indenture relating to our $250 million senior notes contains covenants that limit our ability and the ability of our restricted subsidiaries to: (i) declare or pay any dividend or make any payment or distribution on account of or purchase or redeem our capital stock or equity interests of our restricted subsidiaries; (ii) make any principal payment on, or redeem or repurchase, prior to any scheduled repayment, sinking fund payment or maturity, any subordinated indebtedness; (iii) make certain investments, including capital expenditures; (iv) incur additional indebtedness and issue certain types of capital stock; (v) create or incur any lien (except for permitted liens) that secures obligations under any indebtedness or related guarantee; (vi) merge with or into or sell all or substantially all of our assets to other companies; (vii) enter into certain types of transactions with affiliates; (viii) guarantee the payment of any indebtedness; (ix) enter into sale-leaseback transactions; (x) enter into agreements that would restrict the ability of the restricted subsidiaries to make distributions with respect to their equity, to make loans to us or other restricted subsidiaries or to transfer assets to us or other restricted subsidiaries; and (xi) designate unrestricted subsidiaries.

We follow ASC guidance on uncertain tax positions. Our unrecognized tax benefits totaled $0.9 million as of June 30, 2010. These unrecognized tax benefits have been excluded from the above table because we cannot estimate the period of cash settlement with the respective taxing authorities.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the market risk that the value of a financial instrument will fluctuate due to changes in market conditions, primarily from changes in foreign currency exchange rates and interest rates. In the normal course of our business, we are subject to market risks associated with interest rate movements and currency movements on our assets and liabilities.

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at June 30, 2010 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of $2.5 million in our U.S. dollar financial instruments and cash balances. Based on the Japanese yen cash balance at June 30, 2010, a 10% devaluation of the Japanese yen against the U.S. dollar would have resulted in a decrease of $0.1 million in our U.S. dollar cash balance.

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Interest Rate Exposures

On April 9, 2010, we completed the sale of $250 million in aggregate principal amount of 10.500% senior notes due 2018. The $61.6 million of total outstanding borrowings under our term loan was repaid on the same date. The $250 million 10.500% senior notes due 2018 are subject to changes in fair value due to interest rate changes. If the market interest rate increases by 10% and all other variables were held constant from their levels at June 30, 2010, we estimate that the fair value of this fixed rate note would decrease by $13.3 million and we would have additional interest expense costs over the market rate of $1.1 million (on a 360-day basis). If the market interest rate decreased by 10% and all other variables were held constant from their levels at June 30, 2010, we estimate that the fair value of this fixed rate note would increase by $14.3 million and we would have a reduction in interest expense costs over the market rate of $1.3 million (on a 360-day basis).

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our consolidated financial statements and accompanying notes.

We believe that our significant accounting policies, which are described in notes 3 and 4 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus, are critical due to the fact that they involve a high degree of judgment and estimates about the effects of matters that are inherently uncertain. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be determined with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

Revenue Recognition and Accounts Receivable Valuation

Our revenue is primarily derived from the sale of semiconductor products that we design and the manufacture of semiconductor wafers for third parties. We recognize revenue when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable and collection of resulting receivables is reasonably assured.

We recognize revenue upon shipment, upon delivery of the product at the customer s location or upon customer acceptance depending on terms of the arrangements, when the risks and rewards of ownership have passed to the customer. Certain sale arrangements include customer acceptance provisions that require written notification of acceptance within the pre-determined period from the date of delivery of the product. If the pre-determined period has ended without written notification, customer acceptance is deemed to have occurred pursuant to the underlying sales arrangements. In such cases, we recognize revenue the earlier of the written notification or the pre-determined period from date of delivery. Specialty semiconductor manufacturing services are performed pursuant to manufacturing agreements and purchase orders. Standard products are shipped and sold based upon purchase orders from customers. Our revenue recognition policy is consistent across our product lines, marketing venues and all geographic areas. All amounts billed to a customer related to shipping and handling are classified as sales, while all costs incurred by us for shipping and handling are classified as expenses. We currently manufacture a substantial portion of our products internally at our wafer fabrication facilities. In the future, we expect to rely, to some extent, on outside wafer foundries for additional capacity and advanced technologies.

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We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make payment. If the financial condition of our customers were to deteriorate, additional allowances may be required. The establishment of reserves for sales discounts is based on management judgments that require significant estimates of a variety of factors, including forecasted demand, returns and industry pricing assumptions.

Accrual of Warranty Cost

We record warranty liabilities for the estimated costs that may be incurred under limited warranties. Our warranties generally cover product defects based on compliance with our specifications and are normally applicable for twelve months from the date of product delivery. These liabilities are accrued when revenues are recognized. Warranty costs include the costs to replace the defective products. Factors that affect our warranty liability include historical and anticipated rates of warranty claims on those repairs and the cost per claim to satisfy our warranty obligations. As these factors are impacted by actual experience and future expectations, we periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Inventory Valuation

Inventories are valued at the lower of cost or market, using the average method, which approximates the first in, first out method. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology and product life cycles, we write down inventories to net realizable value. When there is a difference in the carrying value and the net realizable value the difference is recognized as a loss on valuation of inventories within cost of sales. We estimate the net realizable value for such finished goods and work-in-progress based primarily upon the latest invoice prices and current market conditions.

We employ a variety of methodologies to determine the amount of inventory reserves necessary. While a portion of the reserve is determined based upon the age of inventory and lower of cost or market calculations, an element of the reserve is subject to significant judgments made by us about future demand for our inventory. For example, reserves are established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product. If actual demand for our products is less than our estimates, additional reserves for existing inventories may need to be recorded in future periods.

In addition, as prescribed in ASC guidance on inventory costs, the cost of inventories is determined based on the normal capacity of each fabrication facility. If the capacity utilization is lower than a level that management believes to be normal, the fixed overhead costs per production unit which exceed those which would be incurred when the fabrication facilities are running under normal capacity are charged to cost of sales rather than capitalized as inventories.

Long-Lived Assets

We assess long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset group may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying value of the asset group to our estimate of the related total future undiscounted net cash flows. If an asset group s carrying value is not recoverable through the related undiscounted cash flows, the asset group is considered to be impaired. The impairment is measured by the difference between the asset group s carrying value and its fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. We must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. Additionally, an evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets.

Intangible Assets

The fair value of our intangible assets was recorded in connection with fresh-start reporting on October 25, 2009 and was determined based on the present value of each research project s projected cash flows using an income approach. Future cash flows are predominately based on the net income forecast of each project, consistent with historical pricing, margins and expense levels of similar products. Revenues are estimated based on relevant market size and growth factors, expected industry trends and individual project life cycles. The resulting cash flows are then discounted at a rate approximating our weighted average cost of capital.

In-process research and development, or IPR&D, is considered an indefinite-lived intangible asset and is not subject to amortization. IPR&D assets must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test consists of a comparison of the fair value of the IPR&D asset with its carrying amount. If the carrying amount of the IPR&D asset exceeds its fair value, an impairment loss must be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the IPR&D asset will be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited. The initial determination and subsequent evaluation for impairment of the IPR&D asset requires management to make significant judgments and estimates. Once the IPR&D projects have been completed or abandoned, the useful life of the IPR&D asset is determined and amortized accordingly.

Technology, customer relationships and intellectual property assets are considered definite-lived assets and are amortized on a straight-line basis over their respective useful lives, ranging from 4 to 10 years.

Income Taxes

We account for income taxes in accordance with ASC guidance addressing accounting for income taxes. The guidance requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company s financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying values and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and expiration of tax credits and net operating loss carry-forwards. We established valuation allowances for deferred tax assets at most of our subsidiaries since, other than with respect to one particular subsidiary, it is not probable that a majority of the deferred tax assets will be realizable. The valuation allowance at this particular subsidiary was not established since it is more likely than not that the deferred tax assets at this subsidiary will be realizable based on the current prospects for its future taxable income.

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Changes in our evaluation of our deferred income tax assets from period to period could have a significant effect on our net operating results and financial condition.

In addition, beginning January 1, 2007, we account for uncertainties related to income taxes in compliance with ASC guidance on uncertain tax positions. Under this guidance, we evaluate our tax positions taken or expected to be taken in a tax return for recognition and measurement on our consolidated financial statements. Only those tax positions that meet the more likely than not threshold are recognized on the consolidated financial statements at the largest amount of benefit that has a greater than 50 percent likelihood of ultimately being realized. Assumptions, judgment and the use of estimates are required in determining if the more likely than not standard has been met when developing the provision for income taxes. A change in the assessment of the more likely than not standard could materially impact our consolidated financial statements.

Accounting for Unit-Based Compensation

In 2006, we adopted ASC guidance addressing accounting for unit-based compensation based on a fair value method. Under this guidance, unit-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. We use the Black-Scholes option pricing model to value unit options. In developing assumptions for fair value calculation under the guidance, we use estimates based on historical data and market information. A small change in the assumptions used in the estimate can cause a relatively significant change in the fair value calculation.

The determination of the fair value of our common units on each grant date was a two-step process. First, management estimated our enterprise value in consultation with such advisers as we deemed appropriate. Second, this business enterprise value was allocated to all sources of capital invested in us based on each type of security s respective rights and claims to our total business enterprise value. This allocation included a calculation of the fair value of our common units on a non-marketable basis. The business enterprise value was determined based on an income approach and a market approach using the revenue multiples of comparable companies, giving appropriate weight to each approach. The income approach was based on the discounted cash flow method and an estimated weighted average cost of capital.

Determination of the fair value of our common units involves complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of our units and our operating history and prospects at the time of grant. If we make different judgments or adopt different assumptions, material differences could result in the amount of the unit-based compensation expenses recorded because the estimated fair value of the underlying units for the options granted would be different.

Fresh-Start Reporting

As required by GAAP, in connection with emergence from Chapter 11 reorganization proceedings, we adopted the fresh-start accounting provisions of ASC 852 effective October 25, 2009. Under ASC 852, the reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for our assets immediately after restructuring. The reorganization value is allocated to the respective assets. Liabilities, other than deferred taxes and severance benefits, are stated at present values of amounts expected to be paid.

Fair values of assets and liabilities represent our best estimates based on our appraisals and valuations which incorporated industry data and trends and relevant market rates and transactions. These estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond our reasonable control.

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Cash Flow Hedges

We are exposed to non-functional currency denominated cash flow fluctuations in connection with third party sales. We use foreign currency forward and option contracts to hedge certain of these risks. Throughout the term of the designated cash flow hedge relationship, but at least quarterly, a retrospective evaluation and prospective assessment of hedge effectiveness is performed. Designated components of our derivative instruments gains or losses are included in the assessment of hedge effectiveness. In conjunction with our effectiveness testing, we also evaluate ineffectiveness associated with the hedge relationship. Resulting ineffectiveness, if any, is recognized immediately in our consolidated statements of operations.

We record the fair value of our foreign currency derivative contracts qualifying for cash flow hedge accounting treatment in our consolidated balance sheet with the effective portion of the related gain or loss on those contracts deferred in unitholders equity as a component of accumulated other comprehensive income. These deferred gains or losses are recognized in our consolidated statements of operations in the same period in which the underlying hedged sales transactions are recognized and on the same line item as the underlying hedged items. However, in the event the relationship is no longer effective, we recognize the change in the fair value of the hedging derivative instrument from the date the hedging derivative instrument becomes no longer effective immediately in the consolidated statements of operations.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, or ASU 2010-06, which amends the disclosure requirements of ASC 820, *Fair Value Measurements and Disclosures*, as of January 1, 2010, or ASC 820. ASU 2010-06 requires new disclosures for any transfers of fair value into and out of Level 1 and 2 fair value measurements and separate presentation of purchases, sales, issuances and settlements within the reconciliation of Level 3 unobservable inputs. We previously adopted ASC 820 on January 1, 2008 and January 1, 2009 for financial assets and liabilities and for nonfinancial assets and liabilities, respectively. ASU 2010-06 is effective for annual and interim periods beginning after December 15, 2009, except for the Level 3 reconciliation which is effective for annual and interim periods beginning after December 15, 2010. The adoption of ASU 2010-06 as of January 1, 2010 did not have a material effect on our financial condition or results of operations. We do not expect the adoption of ASU 2010-06 in relation to the Level 3 reconciliation to have a material impact on our financial condition or results of operations.

In June 2009, the FASB issued ASC 810, *Consolidation*, or ASC 810, which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise s involvement in variable interest entities. We were required to adopt ASC 810 as of the beginning of 2010. The adoption of ASC 810 did not have a material impact on our consolidated financial position, results of operations or cash flows.

Controls and Procedures

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and is effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. As a private company we have designed our internal control over financial reporting to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements. Beginning with our fiscal year ending December 31, 2011, we will be subject to rules adopted by the Securities Exchange Commission, or SEC, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, which require us to include in our Annual Report on Form 10-K our management s report on, and assessment of the effectiveness of, our internal controls over financial reporting. In the event we complete the MagnaChip Corporation IPO, we may also in the future become subject to the requirement that our independent auditors will be required to attest to and report on the effectiveness of our internal control over financial reporting. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In connection with audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee), are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and our controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded.

Our management and our board of directors agree that the control deficiencies identified by our independent registered public accounting firm represent a material weakness. We have identified and are taking steps intended to remediate this material weakness. Upon being notified of the material weakness, we retained the services of an international accounting firm to temporarily supplement our internal resources. We recently recruited a new director of financial reporting. We are also actively recruiting additional financial staff with experiences with public reporting to increase the number of our financial personnel with the requisite financial accounting expertise. These actions are subject to ongoing senior management review, as well as audit committee oversight.

Although management has not remediated the material weakness mentioned above, management believes substantial progress has been made up to the date of this report. Executive officers assigned to each control deficiencies continue to oversee the necessary remedial changes to the overall design of our internal control environment. Management is responsible for and is committed to achieving and maintaining a strong control environment, high ethical standards, and financial reporting integrity. This commitment continues to be communicated to and reinforced with our employees.

Management s remediation initiatives are summarized below and are intended to address our material weaknesses in internal control over financial reporting:

Management continues to enhance our financial accounting capability. This includes:

(i) providing additional training to accounting personnel to strengthen their GAAP knowledge and ability to identify potential errors in the underlying financial reporting process, and

(ii) maintaining professional services from external professional firms to supplement internal resources during the transition period.

Management continues to improve our period end closing process to identify non-routine and significant transactions earlier and to take appropriate financial reporting actions. This includes:

(i) defining key financial reporting schedule and action items,

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(ii) redefining our book closing checklist for each key responsible person and for each reviewer,

(iii) having regular meetings with financial reporting parties to update the significant accounting events and to review the identified accounting issues,

(iv) communicating with other non-financial reporting parties to ensure all non-routine and significant transactions are captured and analyzed by the accounting team, and

(v) monitoring key changes in GAAP and financial reporting requirements and analyzing the impact of changed GAAP or related regulation on the company.

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BUSINESS

Our Business

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 2,655 registered novel patents and 900 pending novel patent applications and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers that cover a wide range of flat panel displays and mobile multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology platform and develop products and services that are in high demand by our customers and end consumers. We sold over 1,900 and 2,300 distinct products to over 335 and 185 customers for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, with a substantial portion of our revenues derived from a concentrated number of customers. The increase in number of customers is due to the continuing growth of our Power Solutions business. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design analog and mixed-signal products for the consumer, computing, and wireless end markets.

For the six months ended June 30, 2010, on a pro forma basis, we generated net sales of $374.2 million, loss from continuing operations of $3.8 million, Adjusted EBITDA of $72.6 million and Adjusted Net Income of $40.6 million. For 2009, on an a combined pro forma basis, we generated net sales of $560.1 million, income from continuing operations of $46.6 million, Adjusted EBITDA of $98.7 million and Adjusted Net Income of $33.7 million. On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and our plan of reorganization became effective on November 9, 2009. For 2008, we generated net sales of $601.7 million, losses from continuing operations of $325.8 million, Adjusted EBITDA of $59.8 million and Adjusted Net Loss of $71.7 million. See Unaudited Pro Forma Consolidated Financial Information beginning on page 51 for an explanation regarding our pro forma presentation and Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data, beginning on page 13 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

Market Opportunity

The consumer electronics market is large and growing rapidly. Growth in this market is being driven by consumers seeking to enjoy a wide variety of available rich media content, such as high definition audio and video, mobile television and games. Consumer electronics manufacturers recognize that the consumer entertainment experience plays a critical role in differentiating their products. To address and further stimulate consumer demand, electronics manufacturers have been driving rapid advances in the technology, functionality, form factor, cost, quality, reliability and power consumption of their products. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power management semiconductors that increase power efficiency, thereby reducing heat dissipation and extending battery life. These advanced generations of consumer devices are growing faster than the overall consumer electronics market. For example, according to Gartner, production of LCD televisions, smartphones, mobile PCs, and mini-notebooks is expected to grow from 2009 to 2013 by a compound annual growth rate of 12%, 36%, 24%, and 20%, respectively.

The user experience delivered by a consumer electronic device is substantially driven by the quality of the display, audio and video processing capabilities and power efficiency of the device. Analog and mixed-signal semiconductors enable and enhance these capabilities. Examples of these analog and mixed-signal semiconductors include display drivers, timing controllers, audio encoding and decoding devices, or codecs, and interface circuits, as well as power management semiconductors such as voltage regulators, converters, and switches. According to iSuppli, in 2009, the display driver semiconductor market was $6.0 billion and the power management semiconductor market was $21.9 billion.

Requirements of Leading Consumer Electronics Manufacturers

We believe our target customers view the following characteristics and capabilities as key differentiating factors among available analog and mixed-signal semiconductor suppliers and manufacturing service providers:

- ***Broad Offering of Differentiated Products with Advanced System-Level Features and Functions.*** Leading consumer electronics manufacturers seek to differentiate their products by incorporating innovative semiconductor products that enable unique system-level functionality and enhance performance. These consumer electronics manufacturers seek to closely collaborate with semiconductor solutions providers that continuously develop new and advanced products, technologies, and manufacturing processes that enable state of the art features and functions, such as bright and thin displays, small form factor and energy efficiency.

- ***Fast Time to Market with New Products.*** As a result of rapid technological advancements and short product lifecycles, our target customers typically prefer suppliers who have a compelling pipeline of new products and can leverage a substantial intellectual property and technology base to accelerate product design and manufacturing when needed.

- ***Nimble, Stable and Reliable Manufacturing Services.*** Fabless semiconductor providers who rely on external manufacturing services often face rapidly changing product cycles. If these fabless companies are unable to meet the demand for their products due to issues with their manufacturing services providers, their profitability and market share can be significantly impacted. As a result, they prefer semiconductor manufacturing services providers who can increase production quickly and meet demand consistently through periods of constrained industry capacity. Furthermore, many fabless semiconductor providers serving the consumer electronics and industrial sectors need specialized analog and mixed-signal manufacturing capabilities to address their product performance and cost requirements.

- ***Ability to Deliver Cost Competitive Solutions.*** Electronics manufacturers are under constant pressure to deliver cost competitive solutions. To accomplish this objective, they need strategic semiconductor suppliers that have the ability to provide system-level solutions, highly integrated products, a broad product offering at a range of price points and have the design and manufacturing infrastructure and logistical support to deliver cost competitive products.

Focus on Delivering Highly Energy Efficient Products. Consumers increasingly seek longer run time, environmentally friendly and energy efficient consumer electronic products. In addition, there is increasing regulatory focus on reducing energy consumption of consumer electronic products. For instance, the California Energy Commission recently adopted standards that require televisions sold in California to consume 33% less energy by 2011 and 49% less energy by 2013. As a result of global focus on more environmentally friendly products, our customers are seeking analog and mixed-signal semiconductor suppliers that have the technological expertise to deliver solutions that satisfy these ever increasing regulatory and consumer power efficiency demands.

Our Competitive Strengths

Designing and manufacturing analog and mixed-signal semiconductors capable of meeting the evolving functionality requirements for consumer electronics devices is challenging. In order to grow and succeed in the industry, we believe semiconductor suppliers must have a broad, advanced intellectual property portfolio, product design expertise, comprehensive product offerings and specialized manufacturing process technologies and capabilities. Our competitive strengths enable us to offer our customers solutions to solve their key challenges. We believe our strengths include:

Advanced Analog and Mixed-Signal Semiconductor Technology and Intellectual Property Platform. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry. Our long operating history, large patent portfolio, extensive engineering and manufacturing process expertise and wide selection of analog and mixed-signal intellectual property libraries allow us to leverage our technology and develop new products across multiple end markets. Our product development efforts are supported by a team of approximately 391 engineers. Our platform allows us to develop and introduce new products quickly as well as to integrate numerous functions into a single product. For example, we were one of the first companies to introduce a commercial AMOLED display driver for mobile phones.

Established Relationships and Close Collaboration with Leading Global Electronics Companies. We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. Our close customer relationships have been built based on many years of close collaborative product development which provides us with deep system level knowledge and key insights into our customers needs. As a result, we are able to continuously strengthen our technology platform in areas of strategic interest for our customers and focus on those products and services that our customers and end consumers demand the most.

Longstanding Presence in Asia and Proximity to Global Consumer Electronics Supply Chain. Our presence in Asia facilitates close contact with our customers, fast response to their needs and enhances our visibility into new product opportunities, markets and technology trends. According to Gartner, semiconductor consumption in Asia, excluding Japan, has increased from 49% of global production in 2004 to 60% in 2009 and is projected to grow to 65% by 2013. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us close to many of our largest customers and to the core of the global consumer electronics supply chain. We have active applications, engineering, product design, and customer support resources, as well as senior management and marketing resources, in geographic locations close to our customers. This allows us to strengthen our relationship with customers through better service, faster turnaround time and improved product design collaboration. We believe this also helps our customers to deliver products faster than their competitors and to solve problems more efficiently than would be possible with other suppliers.

Broad Portfolio of Product and Service Offerings Targeting Large, High-Growth Markets. We continue to develop a wide variety of analog and mixed-signal semiconductor solutions for multiple high-growth consumer electronics end markets. We believe our expanding product and service offerings allow us to provide additional products to new and existing customers and to cross-sell our products and services to our established customers. For example, we have leveraged our technology expertise and customer relationships to develop and grow a new business offering power management solutions to customers. Our power management solutions enable our customers to increase system stability and reduce heat dissipation and energy use, resulting in cost savings for our customers, as well as environmental benefits. We have been able to sell these new products to our existing customers as well as expand our customer base.

Distinctive Analog and Mixed-Signal Process Technology Expertise and Manufacturing Capabilities. We have developed specialty analog and mixed-signal manufacturing processes such as high voltage CMOS, power and embedded memory. These processes enable us to flexibly ramp mass production of display, power and mixed-signal products, and shorten the duration from design to delivery of highly integrated, high-performance analog and mixed-signal semiconductors. As a result of the depth of our process technology, captive manufacturing facilities and customer support capabilities, we believe the majority of our top twenty manufacturing services customers by revenue currently use us as their primary manufacturing source for the products that we manufacture for them.

Highly Efficient Manufacturing Capabilities. Our manufacturing strategy is focused on maintaining the price competitiveness of our products and services through our low-cost operating structure. We believe the location of our primary manufacturing and research and development facilities in Asia and relatively low required ongoing capital expenditures provide us with a number of cost advantages. We offer specialty analog process technologies that do not require substantial investment in leading edge, smaller geometry process equipment. We are able to utilize our manufacturing base over an extended period of time and thereby minimize our capital expenditure requirements. Our internal manufacturing facilities serve both our solutions products and manufacturing services customers, allowing us to optimize our asset utilization and improve our operational efficiency.

Strong Financial Model with a Low-Cost Structure. We have executed a significant restructuring over the last 18 months, which combined with our relatively low capital investment requirements, has improved our cash flow and profitability. By closing our Imaging Solutions business, restructuring our balance sheet, and refining our business processes and strategy, we believe we have made significant structural improvements to our operating model and have enabled better flexibility to manage the fluctuations in the economy and our markets. In addition, the long lifecycles of our manufacturing processes, equipment and facilities allow us to keep our new capital requirements relatively low. We believe that our low-cost but highly skilled design and support engineers and manufacturing base position us favorably to compete in the marketplace and provide operating leverage in our operating model.

Our Strategy

Our objective is to grow our business, our cash flow and profitability and to establish our position as a leading provider of analog and mixed-signal semiconductor products and services for high-volume markets. Our business strategy emphasizes the following key elements:

Leverage Our Advanced Analog and Mixed-Signal Technology Platform to Innovate and Deliver New Products and Services. We intend to continue to utilize our extensive patent and technology portfolio, analog and mixed-signal design and manufacturing expertise and specific end-market applications and system-level design expertise to deliver products with high levels of performance by utilizing our systems expertise and leveraging our deep knowledge of our customers needs. For example, we have recently utilized our extensive patent portfolio, process technologies and analog and mixed-signal technology platform to develop cost-effective Super Junction MOSFETs as well as low power integrated power solutions for AC-DC offline switchers to address more of our customers needs. In Display Solutions, we continue to invest in research and development to introduce new technologies to support our customers technology roadmaps such as their transition to 240Hz 3D LED televisions. In Semiconductor Manufacturing Services, we are developing cost-effective processes that substantially reduce die size using deep trench isolation.

Increase Business with Existing Customers. We have a global customer base consisting of leading consumer electronics OEMs who sell into multiple end markets. We intend to continue to strengthen our relationships with our customers by collaborating on critical design and product development in order to improve our design win rates. We will seek to increase our customer penetration by more closely aligning our product roadmap with those of our key customers and by taking advantage of our broad product portfolio, our deep knowledge of customer needs and existing relationships to sell more existing and new products. For example, two of our largest display driver customers have display modules in production using our power management products. These power management products have been purchased and evaluated via their key subcontractors for LCD backlight units and LCD integrated power supplies.

Broaden Our Customer Base. We expect to continue to expand our global design centers, local application engineering support and sales presence, particularly in China, Hong Kong, Taiwan and Macau, or collectively, Greater China, and other high-growth geographies, to penetrate new accounts. In addition, we intend to introduce new products and variations of existing products to address a broader customer base. In order to broaden our market penetration, we are complementing our direct customer relationships and sales with an expanded base of distributors, especially to aid the growth of our power management business. We expect to continue to expand our distribution channels as we broaden our power management penetration beyond existing customers.

Aggressively Grow the Power Business. We have utilized our extensive patent portfolio, process technologies, captive manufacturing facilities and analog and mixed-signal technology platform to develop power management solutions that expand our market opportunity and address more of our customers needs. We intend to increase the pace of our new power product introductions by continuing to collaborate closely with our industry-leading customers. For example, we recently began mass production of our first integrated power solution for LCD televisions at one of our major Korean customers. We also intend to capitalize on the market needs and regulatory requirements for power management products that reduce energy consumption of consumer electronic products by introducing products that are more energy efficient than those of competitors. We believe our integrated designs, unique low-cost process technologies and deep customer relationships will enable us to increase sales of our power solutions to our current power solutions customers, and as an extension of our other product offerings, to our other customers.

Drive Execution Excellence. We have significantly improved our execution through a number of management initiatives implemented under the direction of our Chief Executive Officer and Chairman, Sang Park. As an example, we have introduced new processes for product development, customer service and personnel development. We expect these ongoing initiatives will continue to improve our new product development and customer service as well as enhance our commitment to a culture of quick action and execution by our workforce. In addition, we have focused on and continually improved our manufacturing efficiency during the past several years. As a result of our focus on execution excellence, we have also meaningfully reduced our time from new product definition to development completion. For example, we have improved our average development turnaround time by over 40% over the last three years for semiconductor manufacturing services by implementing continuous business process improvement initiatives and we improved our manufacturing productivity per operator by 22% from the fourth quarter of 2008 to the fourth quarter of 2009.

Optimize Asset Utilization, Return on Capital Investments and Cash Flow Generation. We intend to keep our capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require substantial investment in frequent upgrades to the latest manufacturing equipment. We also believe our power management business should increase our utilization and return on capital as the manufacturing of these products primarily relies on our 0.35μm geometry and low-cost equipment. By utilizing our manufacturing facilities for both our display solutions and power solutions products and our semiconductor manufacturing services customers, we will seek to maximize return on our capital investments and our cash flow generation.

Our Technology

We continuously strengthen our advanced analog and mixed-signal semiconductor technology platform by developing innovative technologies and integrated circuit building blocks that enhance the functionality of consumer electronics products through brighter displays, enhanced image quality, smaller form factor and longer battery life. We seek to further build our technology platform through proprietary research and development and selective licensing and acquisition of complementary technologies, as well as disciplined process improvements in our manufacturing operations. Our goal is to leverage our experience and development initiatives across multiple end markets and utilize our understanding of system-level issues our customers face to introduce new technologies that enable our customers to develop more advanced, higher performance products.

Our display technology portfolio includes building blocks for display drivers and timing controllers, processor and interface technologies, as well as sophisticated production techniques, such as chip-on-glass, or COG, which enables the manufacture of thinner displays. Our advanced display drivers incorporate LTPS and AMOLED panel technologies that enable the highest resolution displays. Furthermore, we are developing a broad intellectual property portfolio to improve the power efficiency of displays, including the development of our smart mobile luminance control, or SMLC, algorithm.

We have a long history of specialized process technology development and have a number of distinctive process implementations. We have approximately 200 process flows we can utilize for our products and offer to our semiconductor manufacturing services customers. Our process technologies include standard CMOS, high voltage CMOS, ultra-low leakage high voltage CMOS and BCDMOS. Our manufacturing processes incorporate embedded memory solutions such as static random access memory, or SRAM, one-time programmable, or OTP, memory, multiple-time programmable, or MTP, memory, electronically erasable programmable read only memory, or EEPROM, and single-transistor random access memory, or 1TRAM. More broadly, we focus extensively on processes that reduce die size across all of the products we manufacture, in order to deliver cost-effective solutions to our customers.

Expertise in high voltage and deep trench BCDMOS process technologies, low power analog and mixed-signal design capabilities and packaging know-how are key requirements in the power management market. We are currently leveraging our capabilities in these areas with products such as DC-DC converters, linear regulators, including LDO, regulators and analog switches, and power

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MOSFETs. We believe our system level understanding of applications such as LCD televisions and mobile phones will allow us to more quickly develop and customize power management solutions for our customers in these markets.

Our Products and Services

Our broad portfolio of products and services addresses multiple high-growth, consumer-focused end markets. A key component of our product strategy is to supply multiple related product and service offerings to each of the end markets that we serve.

Display Solutions

Display Driver Characteristics. Display drivers deliver defined analog voltages and currents that activate pixels to exhibit images on displays. The following key characteristics determine display driver performance and end-market application:

Resolution and Number of Channels. Resolution determines the level of detail displayed within an image and is defined by the number of pixels per line multiplied by the number of lines on a display. For large displays, higher resolution typically requires more display drivers for each panel. Display drivers that have a greater number of channels, however, generally require fewer display drivers for each panel and command a higher selling price per unit. Mobile displays, conversely, are typically single chip solutions designed to deliver a specific resolution. We cover resolutions ranging from QVGA (240RGB x 320) to QHD (960RGB x 540).

Color Depth. Color depth is the number of colors that can be displayed on a panel. For example, for TFT-LCD panels, 262 thousand colors are supported by 6-bit source drivers; 16 million colors are supported by 8-bit source drivers; and 1 billion colors are supported by 10-bit and 12-bit source drivers.

Operational Voltage. Display drivers are characterized by input and output voltages. Source drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages between 4.5 and 18 volts. Gate drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages of up to 40 volts. Lower input voltage results in lower power consumption and electromagnetic interference, or EMI.

Gamma Curve. The relationship between the light passing through a pixel and the voltage applied to the pixel by the source driver is referred to as the gamma curve. The gamma curve of the source driver can correct some imperfections in picture quality in a process generally known as gamma correction. Some advanced display drivers feature up to three independent gamma curves to facilitate this correction.

Driver Interface. Driver interface refers to the connection between the timing controller and the display drivers. Display drivers increasingly require higher bandwidth interface technology to address the larger data transfer rate necessary for higher definition images. The principal types of interface technologies are transistor-to-transistor logic, or TTL, reduced swing differential signaling, or RSDS, advance intra panel I/F, or AIPI, and mini-low voltage differential signaling, or m-LVDS.

Package Type. The assembly of display drivers typically uses chip-on-film, or COF, tape carrier package, or TCP, and COG package types.

Large Display Solutions. We provide display solutions for a wide range of flat panel display sizes used in LCD televisions, including high definition televisions, or HDTVs, LED TVs, LCD monitors and mobile PCs.

Our large display solutions include source and gate drivers and timing controllers with a variety of interfaces, voltages, frequencies and packages to meet customers needs. These products include

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advanced technologies such as high channel count, with products under development to provide up to 960 channels. We also offer a distinctive interface technology known as LCDS, which supports thinner displays for mobile PCs. Our large display solutions are designed to allow customers to cost-effectively meet the increasing demand for high resolution displays. We focus extensively on reducing the die size of our large display drivers and other solutions products to reduce costs without having to migrate to smaller geometries. For example, we have implemented several solutions to reduce die size in large display drivers, such as optimizing design schemes and design rules and applying specific technologies that we have developed internally. We have recently introduced a number of new large display drivers with reduced die size.

The table below sets forth the features of our products, both in mass production and in customer qualification, which is the final stage of product development, for large-sized displays:

Product	Key Features	Applications
TFT-LCD Source Drivers	480 to 960 output channels 6-bit (262 thousand colors), 8-bit (16 million colors), 10-bit (1 billion colors) Output voltage ranging from 3.3V to 18V Low power consumption and low EMI Supports COF package types Supports RSDS, m-LVDS, AiPi* interface technologies Geometries of 0.18μm to 0.22μm	LCD monitors, including widescreens Mobile PCs, including netbooks Digital televisions, including LED TVs
TFT-LCD Gate Drivers	272 to 768 output channels Output voltage ranging up to 40V Supports COF and COG package types Geometries of 0.35μm	LCD monitors, including widescreens Mobile PCs, including netbooks Digital televisions, including LED TVs
Timing Controllers	Product portfolio supports a wide range of resolutions Supports m-LVDS interface technologies Input voltage ranging from 2.3V to 3.6V Geometries of 0.18μm	LCD monitors, including widescreens Mobile PCs, including netbooks

* In customer qualification stage

Mobile Display Solutions. Our mobile display solutions incorporate the industry s most advanced display technologies, such as LTPS and AMOLED, as well as high-volume technologies

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such as a-Si (amorphous silicon) TFT. Our mobile display products offer specialized capabilities, including high speed serial interfaces, such as mobile display digital interface, or MDDI, and mobile industry processor interface, or MIPI, as well as multi-time programmable, or MTP, memories, using EEPROM and logic-based OTP memory. We focus extensively on reducing the die size of our mobile display drivers and other solutions products to reduce costs without having to migrate to smaller geometries. For example, we have implemented several solutions to reduce die size in mobile display drivers, such as optimizing design schemes and design rules and applying specific technologies that we have developed internally. Further, we are building a distinctive intellectual property portfolio that allows us to provide features that reduce power consumption, such as SMLC, ambient light-based brightness control, or LABC, automatic brightness control, or ABC, and automatic current limit, or ACL. This intellectual property portfolio will also support our power management product development initiatives, as we leverage our system level understanding of power efficiency.

The following table summarizes the features of our products, both in mass production and in customer qualification, which is the final stage of product development, for mobile displays:

Product	Key Features	Applications
LTPS	Resolutions of QVGA, WQVGA, VGA, NHD*, SVGA Color depth ranging from 262 thousand to 16 million MDDI, MIPI interface EEPROM and logic-based OTP, separated gamma control	Mobile phones Digital still cameras
AMOLED	Resolutions of WQVGA, HVGA, NHD*, WVGA, QHD Color depth ranging from 262 thousand to 16 million Geometries of 0.11µm to 0.15µm MDDI, MIPI interface EEPROM and logic-based OTP ABC, ACL, Pentile	Mobile phones Game consoles Digital still cameras Personal digital assistants Portable media players
a-Si TFT	Resolutions of QVGA, WQVGA, HVGA, WVGA, WSVGA, HD Color depth ranging from 262 thousand to 16 million	Mobile phones Game consoles Netbooks Portable navigation devices

MDDI, MIPI interface

Content adaptive brightness control, or CABC

LVDS, I(2)C*, DCDC*

Separated gamma control

* In customer qualification stage

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Power Solutions

We develop, manufacture and market power management solutions for a wide range of end market customers. The products include MOSFETs, LED Drivers, DC-DC converters, analog switches and linear regulators, such as LDOs.

MOSFET. Our MOSFETs include low-voltage Trench MOSFETs, 20V to 100V, and high-voltage Planar MOSFETs, 400V through 600V. MOSFETs are used in applications to switch, shape or transfer electricity under varying power requirements. The key application segments are mobile phones, LCD televisions, desktop computers and power supplies for consumer electronics and industrial equipment. MOSFETs allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. For example, computing solutions focus on delivering efficient controllers and MOSFETs for power management in VCORE, DDR and chipsets for audio, video and graphics processing systems.

LED Drivers. LED driver solutions serve the fast-growing LCD panel backlighting market for LCD televisions and mobile PCs. Our products are designed to provide high efficiency and wide input voltage range as well as PWM dimming for accurate white LED dimming control.

DC-DC Converters. We plan to release DC-DC converters targeting mobile applications and high power applications like LCD televisions, set-top boxes, DVD/Blu-ray players and display modules. We expect our DC-DC converters will meet customer green power requirements by featuring wide input voltage ranges, high efficiency and small size.

Analog Switches and Linear Regulators. We also provide analog switches and linear regulators for mobile applications. Our products are designed for high efficiency and low power consumption in mobile applications.

Our power management solutions enable customers to increase system stability and reduce heat dissipation and energy use, resulting in cost savings for our customers and consumers, as well as environmental benefits. Our in-house process technology capabilities and eight-inch wafer production lines increase efficiency and contribute to the competitiveness of our products.

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The following table summarizes the features of our products, both in mass production and in customer qualification, which is the final stage of product development:

Product	Key Features	Applications
Low Voltage MOSFET	V(ds)(V) options of 20V 100V R(ds)(on) options of Max 5m W 50m W at 10V Advanced 0.35µm Trench MOSFET Process High cell density of 268Mcell/inch(2) Advanced packages to enable reduction of PCB mounting area	Mobile phones Desktop computers Mobile PCs Digital TVs
High Voltage MOSFET	Voltage options of 400, 500, and 600V Drain current options of 1A 18A. R(ds)(on) options of 0.22~8.0 * W (typical) R(2)FET (rapid recovery) option to shorten reverse diode recovery time Zenor FET option for MOSFET protection for abnormal input Advanced 0.50µm Planar MOSFET Process	Power supplies for consumer electronics Industrial charger and adaptors Lighting (ballast, HID, LED) Industrial equipment
LED Drivers	High efficiency, wide input voltage range Proven 0.35µm BCDMOS process 40V modular BCDMOS OCP, SCP, OVP and UVLO protections Accurate LED current control and multi-channel matching Programmable current limit, boost up frequency	LED backlights
DC-DC Converters*	High efficiency, wide input voltage range Proven 0.35µm BCDMOS process 30V modular BCDMOS Fast load and line regulation Accurate output voltage OCP, SCP and thermal protections	LCD TVs Set-top boxes DVD/Blu-ray players

Product	Key Features	Applications
Analog Switches	*USB Switches* Low C(on), 7.0pF (typical) limits signal distortion Low R(on), 4.0 W (typical) 0.35µm CMOS process *Audio Switches* Negative Swing Support Low R(on), 0.4 W (typical) High ESD protection, 13kV 0.35µm CMOS process	Mobile phones
Linear Regulators	Single and dual* LDOs Low Noise Output Linear µCap LDO Regulator 2.3V to 5.5V input voltage and 150mA, 300mA* output current Small package size of DFN type 0.35µm CMOS process	Mobile phones

* In customer qualification stage

Semiconductor Manufacturing Services

We provide semiconductor manufacturing services to analog and mixed-signal semiconductor companies. We have approximately 200 process flows we offer to our semiconductor manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise.

Our semiconductor manufacturing services offering is targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, embedded memory and power. We refer to our approach of delivering specialized services to our customers as our application-specific technology, or AS Tech, strategy. We differentiate ourselves through the depth of our intellectual property portfolio, ability to customize process technology to meet the customers requirements effectively, long history in this business and reputation for excellence.

Our semiconductor manufacturing services customers typically serve high-growth and high-volume applications in the consumer, computing and wireless end markets. We strive to be the primary manufacturing source for our semiconductor manufacturing services customers.

Process Technology Overview

Mixed-Signal. Mixed-signal process technology is used in devices that require conversion of light and sound into electrical signals for processing and display. Our mixed-signal processes include advanced technologies such as low noise process using triple gate, which uses less power at any given performance level. MEMS process technology allows the manufacture of components that use electrical energy to generate a mechanical response. For example, MEMS devices are used in the accelerometers and gyroscopes of mobile phones.

Power. Power process technology, such as BCD, includes high voltage capabilities as well as the ability to integrate functionality such as self-regulation, internal protection, and other

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intelligent features. The unique process features such as deep trench isolation are suited for chip shrink and device performance enhancement.

High Voltage CMOS. High voltage CMOS process technology facilitates the use of high voltage levels in conjunction with smaller transistor sizes. This process technology includes several variations, such as bipolar processes, which use transistors with qualities well suited for amplifying and switching applications, mixed mode processes, which incorporate denser, more power efficient FETs, and thick metal processes.

Non-Volatile Memory. Non-volatile memory, or NVM, process technology enables the integration of non-volatile memory cells that allow retention of the stored information even when power is removed from the circuit. This type of memory is typically used for long-term persistent storage.

The table below sets forth the key process technologies in Semiconductor Manufacturing Services currently in mass production:

Process	Technology	Device	End Markets
Mixed-signal	0.13-0.8μm	Analog to digital converter	Consumer
			Wireless
	Multipurpose	Digital to analog converter	Computing
	Low noise	Audio codec	
	Ultra low power	Chipset	
	Triple gate		
Power	0.18-0.35μm	Power management	Consumer
			Wireless
	aBCD	Mobile PMIC	Computing
	Deep Trench Isolation	LED drivers	
	Trench MOSFET		

	Planar MOSFET		
	Schottky Diode		
	Zener Diode		
High Voltage CMOS	0.13-2.0μm	Display drivers	Consumer
			Wireless
	5V-250V	CSTN drivers	Computing
	Bipolar, Thick Metal		
NVM	0.18-0.5μm	Microcontroller	Consumer
			Medical
	EEPROM	Touch screen controller	Automotive
	eFlash	Electronic tag	
	OTP	Hearing aid	

Manufacturing and Facilities

Our manufacturing operations consist of three fabrication facilities located at two sites in Cheongju and Gumi in Korea. These sites have a combined capacity of approximately 131,000 eight-inch equivalent wafers per month. We manufacture wafers utilizing geometries ranging from 0.11 to 2.0 micron. The Cheongju facilities have three main buildings totaling 164,058 square meters devoted to manufacturing and development. The Gumi facilities have one main building with 41,022 square meters devoted to manufacturing, testing and packaging.

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In addition to our fabrication facilities, we lease facilities in Seoul, Korea, Cupertino, California, and Osaka, Japan. Each of these facilities includes administration, sales and marketing and research and development functions. We lease sales and marketing offices at our subsidiaries in several other countries.

The ownership of our wafer manufacturing assets is an important component of our business strategy. Maintaining manufacturing control enables us to develop proprietary, differentiated products and results in higher production yields, as well as shortened design and production cycles. We believe our facilities are suitable and adequate for the conduct of our business for the foreseeable future and that we have sufficient production capacity to service our business as currently contemplated without significant capital investment.

A substantial majority of our assembly, test and packaging services for our Display Solutions business and all of such services for our Power Solutions business are outsourced with the balance handled in-house. Our independent providers of these services are located in Korea, China, Taiwan, Malaysia and Thailand. The relative cost of outsourced services, as compared to in-house services, depends upon many factors specific to each product and circumstance. However, we generally incur higher costs for outsourced services, which can result in lower margins.

We use processes that require specialized raw materials that are generally available from a limited number of suppliers. Tape is one of the process materials required for our display drivers. We continue to attempt to qualify additional suppliers for our raw materials.

Although we own our manufacturing facilities, we are party to a land lease and easement agreement with Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea from Hynix for an indefinite term. Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix under our general service supply agreement with Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. The services agreement continues for an indefinite term subject to each party having a right to terminate in the event of an uncured breach by the other party.

Sales and Marketing

We focus our sales and marketing strategy on creating and strengthening our relationships with leading consumer electronics OEMs, as well as analog and mixed-signal semiconductor companies. We believe our close collaboration with customers allows us to align our product and process technology development with our customers existing and future needs. Because our customers often service multiple end markets, our product sales teams are organized by customers within the major geographies. We believe this facilitates the sale of products that address multiple end-market applications to each of our customers. Our semiconductor manufacturing services sales teams focus on marketing our services to analog and mixed-signal semiconductor companies that require specialty manufacturing processes.

We sell our products through a direct sales force and a network of authorized agents and distributors. We have strategically located our sales and technical support offices near our customers. Our direct sales force consists primarily of representatives co-located with our design centers in Korea and Japan, as well as our local sales and support offices in Greater China and Europe. We have a network of agents and distributors in Korea, Japan, Europe and Greater China. With the expansion of the Power Solutions division portfolio, we expect to expand our sales agents and distributor franchises into Europe and the United States in 2010. For the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, we derived 79% and 82% of net sales through our direct sales force, respectively, and 21% and 18% of net sales through our network of authorized agents and distributors, respectively.

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Research and Development

Our research and development efforts focus on intellectual property, design methodology and process technology for our complex analog and mixed-signal semiconductor products and services. Research and development expenses for the six months ended June 30, 2010, the combined twelve- month period ended December 31, 2009 and the years ended December 31, 2008 and 2007 were $41.1 million, $70.9 million, $89.5 million and $90.8 million, respectively, representing 11.0%, 12.7%, 14.9% and 12.8% of net sales, respectively.

Customers

We sell our display solutions and power solutions products to consumer electronics OEMs as well as subsystem designers and contract manufacturers. We sell our semiconductor manufacturing services to analog and mixed-signal semiconductor companies. For the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, our ten largest customers accounted for 64% and 69% of our net sales, respectively, and we had one customer, LG Display, representing 19% and 26% of our consolidated net sales, for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively. Substantially all of our sales to LG Display are in our Display Solutions segment and sales to LG Display represented 44% and 51% of net sales in our Display Solutions segment in the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively. Our relationships with some of our ten largest customers were and may continue to be adversely impacted by our reorganization proceedings. Some of these customers did not offer us the opportunity to compete for new design wins during the pendency of our reorganization proceedings. However, subsequent to our emergence from our reorganization proceedings we have again been provided an opportunity to compete for these projects. For the six months ended June 30, 2010, we received revenues of $43.4 million from customers in the United States and $330.8 million from all foreign countries, of which 60.1% was from Korea, 21.9% from Taiwan, 7.0% from Japan and 8.5% from China, Hong Kong and Macau. For the combined twelve-month period ended December 31, 2009, we received revenues of $59.0 million from customers in the United States and $501.1 million from all foreign countries, of which 61.2% was from Korea, 18.5% from Taiwan, 7.6% from Japan and 9.6% from China, Hong Kong and Macau.

Intellectual Property

As of August 31, 2010, our portfolio of intellectual property assets included approximately 3,395 registered patents and 1,155 pending patent applications. Approximately 2,655 and 900 of our patents and pending patents are novel in that they are not a foreign counterpart of an existing patent or patent application. Because we file patents in multiple jurisdictions, we additionally have approximately 995 registered and pending patents that relate to identical technical claims in our base patent portfolio. Our patents expire at various times over the next 18 years. While these patents are in the aggregate important to our competitive position, we do not believe that any single registered or pending patent is material to us.

We have entered into exclusive and non-exclusive licenses and development agreements with third parties relating to the use of intellectual property of the third parties in our products and our design processes, including licenses related to embedded memory technology, design tools, process simulation tools, circuit designs and processor cores. Some of these licenses, including our agreements with Silicon Works Co., Ltd. and ARM Limited, are material to our business and may be terminated prior to the expiration of these licenses by the licensors should we fail to cure any breach under such licenses. Our license with Silicon Works Co., Ltd. relates to our large display drivers and our license from ARM Limited primarily relates to product lines in our Semiconductor Manufacturing Services business. The loss of either license could have a material adverse impact on our results of operations. Additionally, in connection with the Original Acquisition, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Under this license, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

Competition

We operate in highly competitive markets characterized by rapid technological change and continually advancing customer requirements. Although no one company competes with us in all of our product lines, we face significant competition in each of our market segments. Our competitors include other independent and captive manufacturers and designers of analog and mixed-signal integrated circuits including display driver and power management semiconductor devices, as well as companies providing specialty manufacturing services.

We compete based on design experience, manufacturing capabilities, the ability to service customer needs from the design phase through the shipping of a completed product, length of design cycle and quality of technical support and sales personnel. Our ability to compete successfully will depend on internal and external variables, both within and outside of our control. These variables include the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields, capacity availability, customer service, pricing, industry trends and general economic trends.

Employees

Our worldwide workforce consisted of 3,378 employees (full- and part-time) as of August 31, 2010, of which 388 were involved in sales, marketing, general and administrative, 391 were in research and development (including 204 with advanced degrees), 109 were in quality, reliability and assurance and 2,490 were in manufacturing (comprised of 349 in engineering and 2,141 in operations). As of August 31, 2010, 2,203 employees, or approximately 65.2% of our workforce, were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We believe our labor relations are good.

Environmental

Our operations are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and waste, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, constantly changing and have tended to become more stringent over time. For example, the Korean government recently adopted the Enforcement Decree to the Framework Act on Low Carbon Growth which we expect will result in additional compliance obligations and costs. There can be no assurance that we have been or will be in compliance with all these laws and regulations, or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, any failure to comply with new or existing laws or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

Legal Proceedings

We are subject to lawsuits and claims that arise in the ordinary course of business and intellectual property litigation and infringement claims. Intellectual property litigation and infringement claims, in particular, could cause us to incur significant expenses or prevent us from selling our products. We are currently not involved in any legal proceedings the outcome of which we believe would have a material adverse effect on our business, financial condition or results of operations.

Segments

For a description of our business and the distribution of our assets by geographic regions and reporting segments, see note 15 to the interim consolidated financial statements for MagnaChip Semiconductor LLC for six months ended June 30, 2010 and note 23 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus.

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MANAGEMENT

Directors and Executive Officers and Corporate Governance.

The following table is a list of the current directors and executive officers of MagnaChip and their respective ages as of August 31, 2010:

Name	Age	Position
Sang Park	63	Chairman of the Board of Directors and Chief Executive Officer
Tae Young Hwang	54	Chief Operating Officer and President
Brent Rowe	49	Senior Vice President, Worldwide Sales
Margaret Sakai	53	Senior Vice President and Chief Financial Officer
Heung Kyu Kim	46	Senior Vice President and General Manager, Power Solutions Division
Tae Jong Lee	47	Senior Vice President and General Manager, Corporate Engineering
John McFarland	43	Senior Vice President, General Counsel and Secretary
Michael Elkins	42	Director
Randal Klein	45	Director
R. Douglas Norby	74	Director
Gidu Shroff	65	Director
Steven Tan	34	Director
Nader Tavakoli	52	Director

Sang Park, Chairman of the Board of Directors and Chief Executive Officer. Mr. Park became our Chairman of the board of directors and Chief Executive Officer on January 1, 2007, after serving as President, Chief Executive Officer and director since May 2006. Mr. Park served as an executive fellow for iSuppli Corporation from January 2005 to May 2006. Prior to joining iSuppli, he was founder and president of SP Associates, a consulting services provider for technology companies, from September 2003 to December 2004. Mr. Park served as Chief Executive Officer of Hynix from May 2002 to March 2003, and as Chief Operating Officer and President of the Semiconductor Division of Hynix from July 1999 to April 2002. Prior to his service at Hynix, Mr. Park was Vice President of Procurement Engineering at IBM in New York from 1995 to 1999, and he held various positions in procurement and operations at Hewlett Packard in California from 1979 to 1995. Our board of directors has concluded that Mr. Park should serve as a director and as chairman of the board of directors based on his extensive experience as an executive, investor and director in our industry and his experience and insight as our Chief Executive Officer.

Tae Young Hwang, Chief Operating Officer and President. Mr. Hwang became our Chief Operating Officer and President in November 2009. He previously served as our Executive Vice President, Manufacturing Division, and General Manager, Display Solutions from January 2007, and our Executive Vice President of Manufacturing Operations from October 2004. Prior to that time, Mr. Hwang served as Hynix s Senior Vice President of Manufacturing Operations, System IC, from 2002 to 2003. From 1999 to 2001, he was Vice President of Cheongju Operations for Hynix. Mr. Hwang holds a B.S. degree in Mechanical Engineering from Pusan National University and an M.B.A. from Cheongju University.

Brent Rowe, Senior Vice President, Worldwide Sales. Mr. Rowe became our Senior Vice President, Worldwide Sales in April 2006. Prior to joining our company, Mr. Rowe served at Fairchild Semiconductor International, Inc., a semiconductor manufacturer, as Vice President, Americas Sales and Marketing from August 2003 to October 2005; Vice President, Europe Sales and Marketing from August 2002 to August 2003; and Vice President, Japan Sales and Marketing from April 2002 to August 2002. Mr. Rowe holds a B.S. degree in Chemical Engineering from the University of Illinois.

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Margaret Sakai, Senior Vice President and Chief Financial Officer. Ms. Sakai became our Senior Vice President, Finance, on November 1, 2006 and our Chief Financial Officer on April 10, 2009. Prior to joining our company, she served as Chief Financial Officer of Asia Finance and Vice President of Photronics, Inc., a manufacturer of reticles and photomasks for semiconductor and microelectronic applications, since November 2003. From June 1999 to October 2003, Ms. Sakai was Executive Vice President and Chief Financial Officer of PKL Corporation, a photomask manufacturer. From October 1995 to May 1999, Ms. Sakai served as Director of Finance of Acqutek International Limited, a lead-frame manufacturer, and from March 1992 to September 1995, Ms. Sakai served as Financial Manager at National Semiconductor Corporation. Ms. Sakai worked as an Audit Supervisor at Coopers & Lybrand from January 1988 to March 1992. Ms. Sakai is a Certified Public Accountant in the State of California and holds a B.A. degree in Accounting from Babson College.

Heung Kyu Kim, Senior Vice President and General Manager, Power Solutions Division. Mr. Kim became our Senior Vice President and General Manager, Power Solutions Division, in July 2007. Prior to joining our company, Mr. Kim served at Fairchild Semiconductor International, Inc., a semiconductor manufacturer, as Vice President of the Power Conversion Product Line from July 2003 to June 2007, and as Director of Korea Sales and Marketing from April 1999 to June 2003. Mr. Kim holds a B.S. degree in Metallurgical Engineering from Korea University.

Tae Jong Lee, Senior Vice President and General Manager, Corporate Engineering. Mr. Lee became our Senior Vice President and General Manager, Corporate Engineering, in August 2009. He previously served as our Vice President, Corporate Engineering from September 2007. Prior to joining our company, Mr. Lee served as Director of the Technology Development Division, Chartered Semiconductor Manufacturing, in Singapore from 1999 to August 2007. Mr. Lee holds B.S. and M.S. degrees from Seoul National University, and a Ph.D in Physics from the University of Texas at Dallas.

John McFarland, Senior Vice President, General Counsel and Secretary. Mr. McFarland became our Senior Vice President, General Counsel and Secretary in April 2006, after serving as Vice President, General Counsel and Secretary since November 2004. Prior to joining our company, Mr. McFarland served as a foreign legal consultant at Bae, Kim & Lee, a law firm, from August 2003 to November 2004 and an associate at Wilson Sonsini Goodrich & Rosati, P.C., a law firm, from August 2000 to July 2003. Mr. McFarland holds a B.A. degree in Asian Studies, conferred with highest distinction from the University of Michigan, and a J.D. degree from the University of California, Los Angeles, School of Law.

Michael Elkins, Director. Mr. Elkins became our director in November 2009. Mr. Elkins joined Avenue in 2004 and is currently a Portfolio Manager of the Avenue U.S. Funds. In such capacity, Mr. Elkins is responsible for assisting with the direction of the investment activities of the Avenue U.S. strategy. Due to the percentage of our equity owned or controlled by Avenue, Avenue is considered our affiliate. Prior to joining Avenue, Mr. Elkins was a Portfolio Manager and Trader with ABP Investments US, Inc. While at ABP, he was responsible for actively managing high yield investments using a total return-special situations overlay strategy. Prior to ABP, Mr. Elkins served as a Portfolio Manager and Trader for UBK Asset Management, after joining the company as a High Yield Credit Analyst. Previously, Mr. Elkins was a Credit Analyst for both Oppenheimer & Co., Inc. and Smith Barney, Inc. Mr. Elkins has served on the board of directors of Vertis Communication, an advertising services company, since October 2008, and Milacron LLC, a plastics-processing technologies and industrial fluids supplier, since April 2009. Mr. Elkins serves on the board of directors of each of these companies, both of which are private companies, in connection with a reorganization or refinancing involving affiliates of Avenue and serves as a result of his position with Avenue. Mr. Elkins holds a B.A. in Marketing from George Washington University and an M.B.A. in Finance from the Goizueta Business School at Emory University. Mr. Elkins was appointed to our board of directors by Avenue

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pursuant to our plan of reorganization and pursuant to our Fifth Amended and Restated Limited Liability Company Operating Agreement, which we refer to as our Operating Agreement. Our board of directors has concluded that Mr. Elkins should serve on the board based upon his 15 years of investment portfolio management experience, including 10 years investing in technology companies, including the semiconductor sector.

Randal Klein, Director. Mr. Klein became our director in November 2009. Mr. Klein joined Avenue, our affiliate, in 2004 and is currently a Portfolio Manager at Avenue focused on investments in trade claims and vendor financing. Previously, he was a Senior Vice President of the Avenue U.S. Funds. In such capacity, Mr. Klein was responsible for managing restructuring activities and identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue, Mr. Klein was a Senior Vice President at Lehman Brothers, where his responsibilities included restructuring advisory work, financial sponsors coverage, mergers and acquisitions and corporate finance. Prior to Lehman, Mr. Klein worked in sales, marketing and engineering as an aerospace engineer for The Boeing Company. Mr. Klein holds a B.S. in Aerospace Engineering, conferred with Highest Distinction from the University of Virginia, and an M.B.A. in Finance from the Wharton School of the University of Pennsylvania. Mr. Klein was appointed to our board of directors by Avenue pursuant to our plan of reorganization and pursuant to our Operating Agreement. Our board of directors has concluded that Mr. Klein should serve on the board based upon his 15 years of experience as a financial advisor and investment manager.

R. Douglas Norby, Director and Chairman of the Audit Committee. Mr. Norby became our director and Chairman of the Audit Committee in March 2010. Mr. Norby retired from full time employment in July 2006. Mr. Norby previously served as our director and Chairman of the Audit Committee from May 2006 until October 2008. Mr. Norby served as Senior Vice President and Chief Financial Officer of Tessera Technologies, Inc., a public semiconductor intellectual property company, from July 2003 to January 2006. Mr. Norby worked as a management consultant with Tessera from May 2003 until July 2003 and from January 2006 to July 2006. Mr. Norby served as Chief Financial Officer of Zambeel, Inc., a data storage systems company, from March 2002 until February 2003, and as Senior Vice President and Chief Financial Officer of Novalux, Inc., an optoelectronics company, from December 2000 to March 2002. Prior to his tenure with Novalux, Inc., Mr. Norby served as Executive Vice President and Chief Financial Officer of LSI Logic Corporation from November 1996 to December 2000. Mr. Norby is a director of Alexion Pharmaceuticals, Inc. and STATS ChipPAC Ltd. Mr. Norby received a B.A. degree in Economics from Harvard University and an M.B.A. from Harvard Business School. Our board of directors has concluded that Mr. Norby should serve on our board based upon his extensive experience as a chief financial officer, his extensive experience in accounting and his experience as a public company director and audit committee chair.

Gidu Shroff, Director. Mr. Shroff became our director in March 2010. Mr. Shroff retired from full time employment in July 2009. Mr. Shroff served in various positions at Intel Corporation from 1980 to July 2009. He served as a Corporate Vice President from January 2002 to July 2009, as Vice President of Materials from December 1997 to January 2002, and as General Manager of Outsourcing from January 1990 until December 1997. Mr. Shroff holds a B.S. in Metallurgy from Poona Engineering University in India, an M.S. in Materials Science from Stanford University and an M.B.A. from Santa Clara University. Our board of directors has concluded that Mr. Shroff should serve on the board based upon his extensive experience in the semiconductor industry.

Steven Tan, Director. Mr. Tan became our director in November 2009. Mr. Tan joined Avenue, our affiliate, in 2005 and is currently a Vice President of the Avenue U.S. Funds. In such capacity, Mr. Tan is responsible for identifying and analyzing investment opportunities in the technology and telecommunications sectors for the Avenue U.S. strategy. Previously, Mr. Tan was a research analyst in the Avenue Event Driven Group where he was responsible for investments related to long/short

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equity, special situations and risk arbitrage. Prior to Avenue, Mr. Tan worked at Wasserstein Perella & Co., an investment and merchant bank, where he was a Mergers & Acquisitions analyst with the Industrial Group focusing on the automotive and industrial sectors. Mr. Tan holds a B.A. in Mathematics and Economics from Wesleyan University and an M.B.A. from the Harvard Business School. Mr. Tan was appointed to our board of directors by Avenue pursuant to our plan of reorganization and pursuant to our Operating Agreement. Our board of directors has concluded that Mr. Tan should serve on the board based on his five years of experience as an analyst and investment manager.

Nader Tavakoli, Director. Mr. Tavakoli became our director in November 2009. Mr. Tavakoli has been Chairman and Chief Executive Officer of EagleRock Capital Management, a private investment firm based in New York City since January 2002. Prior to founding EagleRock, Mr. Tavakoli was a portfolio manager at Odyssey Partners, Highbridge Capital and Cowen and Co. Mr. Tavakoli holds a B.A. in History from Montclair State University and a J.D. from Rutgers School of Law. Our board of directors has concluded that Mr. Tavakoli should serve on the board based upon his extensive investing experience.

Involvement in Certain Legal Proceedings

Sang Park was the Chairman of our board of directors and Chief Executive Officer and Tae Young Hwang, Brent Rowe, Margaret Sakai, Heung Kyu Kim, Tae Jong Lee and John McFarland were each officers during our Chapter 11 reorganization proceedings. R. Douglas Norby was one of our directors until September 2008. Mr. Norby was also an officer of Novalux, Inc., a private company, which filed a voluntary petition for reorganization under Chapter 11 in March 2003, approximately one year after Mr. Norby s departure from Novalux, Inc.

Board Composition

Our board of directors currently consists of seven directors and if and when we consummate the MagnaChip Corporation IPO, our bylaws will provide that our board of directors consists of seven members. Mr. Park, our Chief Executive Officer, is the Chairman of our board of directors. Messrs. Elkins, Klein, and Tan were designated to serve on our board by our largest equity holder, which consists of funds affiliated with Avenue Capital Management II, L.P., which has the right to appoint a majority of our board pursuant to the Operating Agreement of MagnaChip Semiconductor LLC which will terminate upon the completion of the corporate conversion. Messrs. Norby, Shroff and Tavakoli serve as independent directors elected by a majority vote of the directors then in office at the time of their election in accordance with our Operating Agreement. A majority of our board is not currently independent as defined under SEC and NYSE rules. In accordance with applicable rules of the NYSE (assuming the consummation of the MagnaChip Corporation IPO), we will rely upon an exception that does not require us to satisfy the requirement that a majority of our board be independent until one year following initial listing. We expect that prior to the one year anniversary of our initial NYSE listing, the composition of our board will be changed such that a majority of our directors will be independent. If we fail to comply with the NYSE listing rules, our common stock could be delisted from the NYSE.

If and when we complete the MagnaChip Corporation IPO, our board of directors will be divided into three classes with staggered three-year terms as follows:

Class I Directors will be Messrs. Norby and Shroff, and their terms will expire at the annual general meeting of stockholders to be held in 2011;

Class II Directors will be Messrs. Klein and Tavakoli, and their terms will expire at the annual general meeting of stockholders to be held in 2012; and

Class III Directors will be Messrs. Elkins, Park and Tan, and their terms will expire at the annual general meeting of stockholders to be held in 2013.

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Audit Committee

Our audit committee consists of Mr. Norby as Chairman and Messrs. Klein and Tavakoli. Our board of directors has determined that Mr. Norby is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act. Our board has also determined that Messrs. Norby and Tavakoli are independent as that term is defined in both Rule 303A of the NYSE rules and Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, upon the closing of the MagnaChip Corporation IPO, will each be an independent director as that term is defined in Rule 303A of the NYSE rules. In making this determination, our board of directors considered the relationships that Messrs. Norby and Tavakoli have with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including any beneficial ownership of our equity. The board has determined that Mr. Klein is not an independent director. In accordance with applicable rules of the NYSE (assuming the consummation of the MagnaChip Corporation IPO), we are relying upon an exception that allows us to phase in our compliance with the independent audit committee requirement as follows, (i) one independent member at the time of listing; (ii) a majority of independent members within 90 days of listing; and (iii) all independent members within one year of listing. We expect that prior to the one year anniversary of our initial NYSE listing, Mr. Klein will resign from the audit committee and at least one new independent director will be appointed. If we fail to comply with the NYSE listing rules after the completion of the MagnaChip Corporation IPO, our common stock could be delisted from the NYSE.

Compensation Committee

The compensation committee of the board has overall responsibility for evaluating and approving our executive officer and director compensation plans, policies and programs, as well as all equity-based compensation plans and policies. We expect that our compensation committee will consist of Messrs. Elkins, Klein and Tavakoli upon the consummation of the MagnaChip Corporation IPO. Our board has determined that Mr. Tavakoli is independent under NYSE and SEC rules. In making this determination, our board of directors considered the relationships that Mr. Tavakoli has with our company and all other facts and circumstances our board of directors deemed relevant in determining his independence, including any beneficial ownership of our equity. The board has determined that Messrs. Elkins and Klein are not independent directors. In accordance with applicable rules of the NYSE (assuming the consummation of the MagnaChip Corporation IPO), we are relying upon an exception that allows us to phase in our compliance with the independent compensation committee requirement as follows, (i) one independent member at the time of listing; (ii) a majority of independent members within 90 days of listing; and (iii) all independent members within one year of listing. We expect that prior to the applicable dates, the composition of our compensation committee will be changed such that we will be in compliance with the independent compensation committee requirement.

Nominating and Governance Committee

The nominating and governance committee has the responsibility to identify qualified individuals to become members of the board, to oversee an annual evaluation of the board of directors and its committees, to periodically review and recommend to the board any proposed changes to our corporate governance guidelines and to monitor our corporate governance structure. We expect that our nominating and corporate governance committee will consist of Messrs. Elkins, Shroff and Tan upon consummation of the MagnaChip Corporation IPO. Our board has determined that Mr. Shroff is independent under NYSE and SEC rules. In making this determination, our board of directors considered the relationships that Mr. Shroff has with our company and all other facts and circumstances our board of directors deemed relevant in determining his independence, including any beneficial ownership of our equity. The board has determined that Messrs. Elkins and Tan are not independent directors. In accordance with applicable rules of the NYSE (assuming the consummation of the MagnaChip Corporation IPO), we are relying upon an exception that allows us to phase in our compliance with the independent nominating and corporate governance committee requirement as follows, (i) one independent member at the time of listing; (ii) a majority of independent members within 90 days of listing; and (iii) all independent members within one year of listing. We expect that prior to the applicable dates, the composition of our nominating and corporate governance committee will be changed such that we will be in compliance with the independent nominating and corporate governance committee requirement.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. We will provide a copy of our Code of Business Conduct and Ethics without charge to any person upon written request made to our Senior Vice President, General Counsel and Secretary at c/o MagnaChip Semiconductor, Ltd., 891 Daechi-dong, Gangnam-gu, Seoul, 135-738, Korea. Our Code of Business Conduct and Ethics is also available on our website at www.magnachip.com.

Assessment of Risk

Our board of directors believes that our compensation programs are designed such that they will not incentivize unnecessary risk-taking. The base salary component of our compensation program is a fixed amount and does not depend on performance. Our cash incentive program takes into account multiple factors, thus diversifying the risk associated with any single performance factor, and we believe it does not incentivize our executive officers to focus exclusively on short-term outcomes. Our equity awards are limited by the terms of our equity plans to a fixed maximum specified in the plan, and are subject to vesting to align the long-term interests of our executive officers with those of our equityholders.

Compensation Discussion and Analysis

Executive Compensation

Compensation Philosophy and Objectives

The compensation committee of our board of directors, or the Committee, has overall responsibility for administering our compensation program for our named executive officers. The Committee s responsibilities consist of evaluating, approving and monitoring our executive officer and director compensation plans, policies and programs, as well as each of our equity-based compensation plans and policies. Prior to 2010, compensation decisions were made by the entire board of directors and for the discussion that follows, references to the Committee during such period refer to the entire board. For 2009, our named executive officers who continue to serve as executive officers were:

- Sang Park, Chairman of the Board of Directors and Chief Executive Officer;
- Tae Young Hwang, Chief Operating Officer and President;
- Brent Rowe, Senior Vice President, Worldwide Sales;
- Margaret Sakai, Senior Vice President and Chief Financial Officer; and
- John McFarland, Senior Vice President, General Counsel and Secretary.

The Committee seeks to establish total compensation for executive officers that is fair, reasonable and competitive. The Committee evaluates our compensation packages to ensure that:

we maintain our ability to attract and retain superior executives in critical positions;

our executives are incentivized and rewarded for aggressive corporate growth, achievement of long-term corporate objectives and individual performance that meets or exceeds our expectations without encouraging unnecessary risk-taking; and

compensation provided to critical executives remains competitive relative to the compensation paid to similarly situated executives of companies in the semiconductor industry.

The Committee believes that the most effective executive compensation packages align executives interests with those of our unitholders by rewarding performance that exceeds specific annual, long-term and strategic goals that are intended to improve unitholder value. These objectives include the achievement of financial performance goals and progress on projects that our board of directors anticipates will lead to future growth, as discussed more fully below.

The information set forth below in this Compensation Discussion and Analysis describes the Committee s general philosophy and historical approach. However, given our financial challenges, in the beginning of 2009, the Committee determined to continue the arrangements from the prior year and did not perform any in depth analysis.

Until April 2009, Robert J. Krakauer served as our President, Chief Financial Officer, and director. In April 2009, we entered into a Senior Advisor Agreement with Mr. Krakauer pursuant to which he resigned from his employment and as a director but remains available to consult with us in a limited capacity until April 2010 to one year thereafter. Although Mr. Krakauer is no longer one our executive officers, his 2009 compensation is reported herein in accordance with SEC rules.

Role of Executive Officers in Compensation Decisions

For named executive officers other than our chief executive officer, we have historically sought and considered input from our chief executive officer in making determinations regarding executive compensation. Our chief executive officer annually reviews the performance of our other named executive officers. Our chief executive officer subsequently presents conclusions and recommendations regarding such officers, including proposed salary adjustments and incentive amounts, to the Committee. The Committee then takes this information into account when it makes final decisions regarding any adjustments or awards.

The review of performance by the Committee and our chief executive officer of other executive officers is both an objective and subjective assessment of each executive s contribution to our performance, leadership qualities, strengths and weaknesses and the individual s performance relative to goals set by the Committee or our chief executive officer, as applicable. The Committee and our chief executive officer do not systematically assign a weight to the factors, and may, in their discretion, consider or disregard any one factor which, in their sole discretion, is important to or irrelevant for a particular executive.

The Committee s annual determinations regarding executive compensation are subject to the terms of the respective service agreements between us and the named executive officers (as set forth in more detail below). In addition to the annual reviews, the Committee also typically considers compensation changes upon a named executive officer s promotion or other change in job responsibility. Neither our chief executive officer nor any of our other executives participates in deliberations relating to their own compensation.

Role of Compensation Consultants

The Committee has the authority to retain the services of third-party executive compensation specialists in connection with the establishment of cash and equity compensation and related policies.

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Historically, we have engaged compensation consultants to provide information and recommendations relating to executive pay and equity compensation or otherwise obtained third party compensation surveys. In light of the financial challenges we were facing, we did not use a compensation consultant, or review any formal industry data, in connection with setting 2009 executive compensation. The Committee has not retained a compensation consultant for 2010.

Timing of Compensation Decisions

At the end of each fiscal year, our chief executive officer will review the performance of the other executive officers and present his conclusions and recommendations to the Committee. At that time and throughout the year, the Committee will also evaluate the performance of our chief executive officer, which is measured in substantial part against our consolidated financial performance. In January of the following fiscal year, the Committee will then assess the overall functioning of our compensation plans against our goals, and determine whether any changes to the allocation of compensation elements, or the structure or level of any particular compensation element, are warranted.

In connection with this process, our Committee generally establishes the elements of its performance-based cash bonus plan for the upcoming year. With respect to newly hired employees, our practice is typically to approve equity grants at the first meeting of the Committee following such employee s hire date. We do not have any program, plan or practice to time equity award grants in coordination with the release of material non-public information. From time to time, additional equity awards may be granted to executive officers during the fiscal year. For example, in December 2009, our executive officers were granted restricted unit bonuses and nonstatutory options for common units, as further described below.

Elements of Compensation

In making decisions regarding the pay of the named executive officers, the Committee looks to set a total compensation package for each officer that will retain high-quality talent and motivate executives to achieve the goals set by our board of directors. Our 2009 compensation package was composed of the following elements:

- annual base salary;
- short-term cash incentives;
- long-term equity incentives;
- a benefits package that is generally available to all of our employees; and
- expatriate and other executive benefits.

Determination of Amount of Each Element of Compensation

General Background

Historically, the Committee has taken a variety of factors into consideration when determining changes to overall compensation levels and levels of individual annual compensation elements, as further described below. In the beginning of 2009, however, the Committee assessed the overall functioning of our compensation plans against our goals, and, due to our financial condition and impending reorganization proceedings, determined no changes from the prior year to the allocation of compensation elements, or the structure or level of any particular compensation element, were warranted for 2009. Subsequently, in connection with our emergence from our reorganization proceedings, the Committee made certain determinations with respect to executive compensation.

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Accordingly, unless otherwise referenced in the context of our emergence from our reorganization proceedings and the Committee s compensation decisions made thereafter, the below disclosure is a general discussion of the manner in which the Committee has made decisions regarding compensation levels in prior years, and the underlying reasons for those decisions.

The Committee seeks to establish a total cash compensation package for our named executive officers that is competitive with the compensation reflected in compensation data for similarly-situated executives in the peer group reviewed by the Committee, subject to adjustments based on each executive s experience and performance. Historically, based on the recommendations provided by outside advisors, our review of industry specific survey data and the professional and market experience of our Committee members, we measured total cash compensation for our named executive officers against cash compensation paid to executives at similarly situated companies which we determined to be our select peer group. Base salaries for our named executive officers were benchmarked to median levels for companies in the select peer group, and were adjusted upward or downward for performance, and short-term cash incentives were put in place to provide for opportunities that may result in higher than median levels of cash compensation as compared to our select peer group if, and depending upon the extent to which, our performance and that of our named executive officers exceeded expectations and the goals established by the Committee for the year in question.

Historically, our select peer group has included other major Korean based semiconductor companies, including Fairchild Korea, Dongbu Hitek, ChipPac Korea and Hynix Semiconductor. In addition, we also reviewed compensation data from TowersPerrin Korea, an independent compensation consultant, which surveyed the companies listed below, to assess how compensation for our select peer group related to compensation paid to executives in a broader range of technology companies.

Accenture	CommVerge	Lam Research	NXP Semiconductors
Advanced Micro Devices	CSR	Lexmark International	Orange Business Services
Applied Materials	Dell	Microsoft	Sony Computer Entertainment
ASML	Electronic Arts	NCsoft	Tokyo Electron
Blizzard	GCT Semiconductor	Neowiz Games	Toshiba Group
Cisco Systems	Gravity	NHN Games	Verizon Business
CJ Internet	JCEntertainment	Npluto	
	KLA-Tencor		

The Committee makes annual determinations regarding cash incentive compensation based on our annual operating plan, which is adopted in the December preceding each fiscal year, including the expected performance of our business in the coming fiscal year. The Committee makes all equity compensation decisions for our officers based on existing compensation arrangements for other of our executives at the same level of responsibility and based on our review of the select peer group with a view to maintaining internal consistency and parity.

Equity awards are not tied to base salary or cash incentive amounts and will constitute lesser or greater proportions of total compensation depending on the fair value of the awards. The Committee, relying on the professional and market experience of our Committee members, generally seeks to set equity awards at median levels of equity compensation at the select peer group companies. The Committee does not apply a formula or assign relative weight in making its determination. Instead, it makes a subjective determination after considering all information collectively.

The Committee may approve additional incentive payments or equity compensation grants from time to time during the year in its discretion.

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Base Salary

Base salary is the guaranteed element of an employee s annual cash compensation. Changes in base salary may be approved by the Committee for an executive if the median levels of base salary compensation for similarly-situated executives in our select peer group have changed, and may be further adjusted based upon the employee s long-term performance, skill set and the value of that skill. The Committee evaluates the performance of each named executive officer on an annual basis based on the accomplishment of performance objectives that were established at the beginning of the prior fiscal year as well as its own subjective evaluation of the officer s performance. In making its evaluation, the Committee makes a subjective qualitative assessment of the officer s contribution to our performance during the preceding year, including leadership, success in attaining particular goals of a division for which that officer has responsibility, our overall financial performance and such other criteria as the Committee may deem relevant, including input from our Chief Executive Officer. The Committee then makes a subjective decision regarding any changes in base salary based on these factors and the data from our select peer group. The Committee does not systematically assign weights to any of the factors it considers, and may, in its discretion, ignore any factors or deem any one factor to have greater importance for a particular executive officer.

Based upon our financial condition at the time, the Committee determined not to change compensation arrangements at the beginning of 2009. The current base salaries of the Company s named executive officers compare to the median of the Company s select peer group as follows: Mr. Park is at or slightly above, Mr. Hwang is slightly below, Ms. Sakai is slightly above, Mr. Rowe is slightly below and Mr. McFarland is generally in line. Our employees, including our executive officers, voluntarily accepted a 20% reduction in base salary from 2008 levels from January to June 2009, as part of austerity measures implemented to assist in our recovery. Mr. Park voluntarily accepted a 40% reduction in base salary from January to March 2009, and a 20% reduction from April to June 2009. In June 2009, our board of directors approved a one-time payment of 10% of base salary paid from April to June 2009 to all employees who voluntarily accepted pay reductions earlier in the year, which group included all of our named executive officers. This amount is reported as salary in the Summary Compensation Table below. We restored salaries to 2008 levels in July 2009. In December 2009, as a reward for the successful completion of our reorganization proceedings, our board of directors approved a one-time payment of 30% of then monthly base salary to all employees who voluntarily accepted pay reductions earlier in the year, which group included all of our named executive officers. The amount paid to named executive officers are reported as bonus in the Summary Compensation Table below. The Committee also granted additional special discretionary incentives to Mr. Hwang, Mr. Rowe, Ms. Sakai and Mr. McFarland, as described in more detail below.

Cash Incentives

Short-term cash incentives comprise a significant portion of the total target compensation package and are designed to reward executives for their contributions to meeting and exceeding our goals and to recognize and reward our executives in achieving these goals. Incentives are designed as a percentage of base salary and are awarded based on individual performance and our achievement of the annual, long-term and strategic quantitative goals set by our Committee.

Given our financial position at the beginning of 2009, we did not modify the annual targets for our cash incentive plans for 2009. As a result, our short-term cash incentive plan was effectively suspended for the year. In December 2009, our board of directors implemented a cash incentive plan effective as of January 1, 2010, which we call the Profit Sharing Plan. Each of our employees is eligible to participate in the Profit Sharing Plan, and our board of directors intends for the Profit Sharing Plan to incentivize our named executive officers, officers and employees to exceed expectations throughout our entire fiscal year. Our board of directors has empowered the Committee to administer the Profit Sharing Plan.

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Under the Profit Sharing Plan, the Committee will review our business plan in December of each year and determine an annual consolidated Adjusted EBITDA target, or the Base Target, for the upcoming fiscal year and set the targeted amount to be awarded to our named executive officers and employees, or the Profit Share, for meeting the Base Target and for achievement in excess of the Base Target.

The Base Target is calculated as a percentage of our forecasted gross annual revenue for the upcoming fiscal year. We determine our revenue forecast by looking at several factors, including existing orders from our customers, quarterly and annual forecasts from our customers, our product roadmap and how it corresponds with our projected customer needs, and the overall industry forecasts for the semiconductor market. The Committee s goal is to set a Base Target that is difficult but not unreasonable to achieve. To determine the percentage of gross annual revenue for purposes of setting the Base Target, the Committee, in consultation with our board of directors, first determines a range of Adjusted EBITDA growth and gross margin that is competitive based upon the select peer group and will ensure that we build unitholder value, then sets a percentage such that the forecasted Adjusted EBITDA growth and gross margin is within that range. See Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data for a discussion of how we define and why we use Adjusted EBITDA.

Each named executive officer receives as a Profit Share a set percentage of their annual base salary once the Base Target is achieved. For 2010, our Chief Executive Officer is eligible to receive 40% of annual base salary, our President is eligible to receive 33.3% of annual base salary, our General Managers are eligible to receive 26.7% of annual base salary, our Senior Vice Presidents are eligible to receive 23.3% of annual base salary and our Vice Presidents are eligible to receive 20% of annual base salary. In the event we exceed the Base Target, we will pay to our executive officers and employees an additional Profit Share of 25% of our annual consolidated Adjusted EBITDA in excess of the Base Target.

We pay the Profit Share during the normal pay period in the January following the conclusion of each fiscal year for which the Profit Share is calculated, and the Profit Share is only payable to those executives who have been employed by us during the entire fiscal year for which the Profit Share is calculated and who are employed by us on the Profit Share payment date, provided that the Profit Share is payable pro rata to any named executive officers who begin their employment during the fiscal year for which the Profit Share is calculated.

The Committee retains the sole discretion to (i) authorize the payment of the Profit Share in December of the relevant fiscal year when the Committee believes the Base Target will be achieved, (ii) pay Profit Shares when we achieve slightly less than the Base Target, and (iii) make interim Profit Share payments during the fiscal year. In addition to the Profit Sharing Plan, the Committee retains the right to grant discretionary incentives to our named executive officers as a reward for extraordinary performance. For example, Mr. Hwang, Ms. Sakai and Mr. McFarland were paid a discretionary incentive in December 2009 in recognition of their role in our successful reorganization proceedings. These amounts were not based upon any numerical or formulaic factors, but rather were determined by the Committee based upon a subjective assessment of their respective individual contributions and are reported in the Summary Compensation Table in the column labeled Bonus. In addition, Messrs. Park and Rowe were each entitled to fixed bonuses pursuant to their employment agreements subject to continued employment. In the case of Mr. Park, he elected to forego $298,000 of the bonus otherwise payable to him in order for such amounts to be available for bonuses to other executives, including discretionary bonuses paid to Mr. Hwang, Ms. Sakai and Mr. McFarland.

For 2010, the implementation of the Profit Sharing Plan has been modified to provide our employees with an opportunity to share in our success earlier in the fiscal year than under the existing

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Profit Sharing Plan. In addition to setting the Base Target, two interim targets for our first and second fiscal quarters have been set. We will make Profit Share payments in the first normal pay period following the conclusion of each of the first two fiscal quarters in which we reach the corresponding quarterly target. The total Profit Share payable for meeting the Base Target for 2010 is capped for each employee at his or her respective percentage of annual base salary, such that the amount of any Profit Share payable for 2010 performance after the end of 2010 will be offset by any portion of the Profit Share paid during 2010 for reaching either or both of the quarterly targets. In addition, for 2010, if we exceed the Base Target our employees will not be eligible to earn the additional Profit Share of 25% of our annual consolidated Adjusted EBITDA in excess of the Base Target. As a result, our executive officers and employees will only be entitled to receive a cash incentive equal to the percentage of their salary disclosed above. Under the Profit Sharing Plan, we recognized bonuses for our named executive officers in our consolidated statement of operations for the six months ended June 30, 2010 in an aggregate amount of $69,559, ranging individually from $9,372 to $22,442. The bonuses were paid in April and July 2010.

Equity Compensation

In addition to cash incentives, we offer equity incentives as a way to enhance the link between the creation of unitholder value and executive incentive compensation and to give our executives appropriate motivation and rewards for achieving increases in enterprise value. Under our 2009 Common Unit Plan, our board of directors granted options to acquire MagnaChip Semiconductor LLC common units and restricted unit bonus awards. Awards under our 2009 Common Unit Plan will be converted into options for common stock and restricted common stock of MagnaChip Semiconductor Corporation upon our corporate conversion. Such options vest in installments over three years following grant, with approximately one-third of the restricted unit awards vested at grant and the remainder vesting in two subsequent annual installments, as set forth in more detail below.

Under our 2010 Equity Incentive Plan, which will replace the 2009 Common Unit Plan following our corporation conversion, the Committee may grant participants stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other stock-based and cash-based awards. In granting equity awards, the Committee may establish any conditions or restrictions it deems appropriate. Stock options and stock appreciation rights must have exercise prices at least equal to the fair market value of the stock at the time of their grant pursuant to the 2010 Equity Incentive Plan. Following the completion of the MagnaChip Corporation IPO, the fair market value of the stock at the time of grant will generally be the closing price of a share of stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the stock on the date any grant is made. Prior to the exercise of a stock option or stock appreciation or settlement of an award denominated in units, the holder has no rights as a stockholder with respect to the stock subject to the award, including voting rights and the right to receive dividends. Participants receiving restricted stock awards are stockholders and have both voting rights and the right to receive dividends, except that dividends paid on unvested shares may remain subject to forfeiture until vested. Award vesting ceases upon termination of employment, and vested options and stock appreciation rights remain exercisable only for a limited period following such termination.

The Committee considers granting additional equity compensation in the event of new employment, a promotion or change in job responsibility or a change in median levels of equity compensation for similarly-situated executives at companies in our select peer group or in its discretion to reward or incentivize individual officers. The option award levels vary among participants based on their job grade and position. The Committee generally seeks to award equity compensation at levels consistent with the median levels for executives at companies in our select peer group, and will also make subjective determinations regarding adjustments to award amounts in light of factors such as the available pool, individual performance and role of executives. For example, the Committee may adjust

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the size of an award for an individual executive above the option award level for his or her position if the Committee determines that the executive has provided exceptional performance, or may increase the option award level for a position above the median level reflected in the select peer group if the position is considered by the Committee to be more critical to our long-term success. The Committee will generally maintain substantially equivalent award levels for executives at equivalent job grades. Stock option awards are not tied to base salary or cash incentive amounts.

As a result of our reorganization proceedings, all previously outstanding common and preferred units and options held by our named executive officers were cancelled. In December 2009, we granted new options to our executives with the option award amounts generally determined based upon the median levels of our select peer group. Thirty-four percent of the common units subject to the options will vest and become exercisable on the first anniversary of grant date, with 8 or 9% of the common units subject to the options vesting on completion of each three-month period thereafter through December 2012. In December 2009, in recognition of services provided in guiding us through our reorganization proceedings, our board of directors also granted each of our current named executive officers a restricted unit bonus in addition to an option. The amount of the restricted unit bonuses were not based upon any numerical or formulaic factors, nor based upon any comparative peer group, data or the number of options granted, but rather were determined based upon our board of directors subjective assessment of individual contributions to the successful completion of the reorganization proceedings. We granted restricted unit bonuses in order to provide our executives with an equity incentive with a built-in gain equal to the value of the units as of the date of grant while still incentivizing them to contribute toward increasing our enterprise value. See Grant of Plan-Based Awards below for information regarding the number and value of units granted to each named executive officer. Thirty-four percent of each restricted unit bonus vested upon grant, with the remaining portion vesting in equal installments on the first and second anniversary of the grant date.

Upon the recommendation of our board of directors or chief executive officer, or otherwise, the Committee may in the future consider granting additional performance-based equity incentives.

Perquisites and Other Benefits

We provide the named executive officers with perquisites and other personal benefits, including expatriate benefits, that the Committee believes are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. Generally perquisites are determined based upon what the Committee considers to be the most customary perquisites offered by the select peer group and are not based upon a median cost for specific perquisites or for the perquisites in aggregate. The Committee determines the level and types of expatriate benefits for the executive officers based on local market surveys taken by our human resources group. These surveys are not limited to our select peer group, but include a broad range of non-Korea based companies with significant operations in Korea. Attributed costs of the personal benefits for the named executive officers are as set forth in the Summary Compensation Table below.

Mr. Park, Ms. Sakai and Mr. McFarland were expatriates during all or part of 2009 and received expatriate benefits commensurate with market practice in Korea. These perquisites, which were determined on an individual basis, included housing allowances, relocation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, living expenses, tax equalization payments and tax advisory services, each as we deemed appropriate.

In addition, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. For purposes of this section, we call this benefit statutory severance. The base statutory severance is approximately one month of base salary per year of service. Mr. Hwang, Ms. Sakai and Mr. McFarland accrue statutory severance.

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Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2007, 2008 and 2009, of our named executive officers:

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Unit Awards ($)(2)	Option Awards ($)(2)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($)(3)	All Other Compen-sation ($)	Total ($)
Sang Park	2009	979,611(4)	11,262	1,769,600	488,070		314,785(5)	3,563,328
Chairman and Chief Executive Officer	2008	442,128					351,897(6)	794,025
	2007	450,148	309,330				244,468(7)	1,003,946
Tae Young Hwang,	2009	189,748	106,544	663,600	305,044	119,541	10,884(8)	1,395,361
Chief Operating Officer and President	2008	212,307				99,095	20,293(9)	331,695
	2007	236,830	119,339			19,735	11,476(10)	387,380
Brent Rowe	2009	398,554(11)	70,500	442,400	183,026		12,231(12)	1,106,711
Senior Vice President, Worldwide Sales	2008	226,308	176,000(13)				25,673(14)	427,981
	2007	220,846	176,000(15)				142,191(16)	539,037
Margaret Sakai	2009	238,347	46,549	265,440	73,211	12,143	163,668(17)	799,358
Senior Vice President, Chief Financial Officer	2008	250,934				37,683	180,025(18)	468,642
	2007	250,082	21,569			24,086	167,791(19)	463,528
John McFarland,	2009	172,229	44,764	265,440	48,807	14,369	99,615(20)	645,224
Senior Vice President, General Counsel and	2008	191,147				21,492	79,790(21)	292,429
Secretary	2007	201,839	75,930		23,195	22,802	97,334(22)	421,100
Robert J. Krakauer,	2009	467,265					176,554(23)	643,819
Former President and Chief Financial Officer	2008	468,426					820,236(24)	1,288,662
	2007	375,123	270,903				707,831(25)	1,353,857

Note: Amounts set forth in the above table that were originally paid in Korean won from January 1 to October 25, 2009 and during the fiscal years ended December 31, 2008 and 2007 have been converted into U.S. dollars using average exchange rates during the respective periods. After October 25, 2009, a monthly average exchange rate was used.

Footnotes:

(1) Includes one-time payment of 10% of base salary paid from April to June 2009 to all employees that voluntarily accepted pay reductions earlier in the year, including $22,204, $4,897, $6,000 and $6,415 paid to Mr. Park, Mr. Hwang, Mr. Rowe and Ms. Sakai, respectively.

(2) Represents grant date fair value with respect to the fiscal year determined in accordance with FASB ASC 718. See Note 4 Summary of Significant Accounting Policies Unit-Based Compensation, and Note 19 Equity Incentive Plans, to the MagnaChip Semiconductor LLC audited consolidated financial statements for the two months ended December 31, 2009, the ten months ended October 25, 2009 and the years ended 2008 and 2007.

(3) Consists of statutory severance accrued during the two months ended December 31, 2009, ten months ended October 25, 2009 and the years ended December 31, 2008 and 2007, as applicable. See the section subtitled Compensation Discussion and Analysis for a description of the statutory severance benefit.

(4)

Includes a fixed one-time bonus payment of $602,631 made in December 2009 pursuant to Mr. Park s Amended and Restated Service Agreement. Mr. Park elected to forego $298,000 of the bonus payable pursuant to his service agreement in order for such amounts to be available for bonuses to other executives.

(5) Includes the following personal benefits paid to Mr. Park: (a) $125,073, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. Park s housing lease; (b) $28,386 for insurance premiums; (c) $48,319 for other personal benefits (including reimbursement of the use of a car, home leave flights, living expenses and personal tax advisory expenses); and (d) $89,252 of reimbursement for the difference between the actual tax Mr. Park already paid and the hypothetical tax he had to pay for the fiscal year 2008; and (e) $23,755 for reimbursement of Korean tax.

(6) Includes the following personal benefits paid to Mr. Park: (a) $70,838, which is the aggregate monthly pro rata amount of prepaid housing expenses for Mr. Park s housing lease for six months, $82,828, which is the total monthly rental payments for seven months rent for Mr. Park s housing, and $8,192, which is the imputed benefit to Mr. Park from a refundable deposit held by the lessor of Mr. Park s housing during the lease term; (b) $27,290 for insurance premiums;

(c) $35,787 for other personal benefits (including reimbursement of the use of a car, home leave flights and personal tax advisory expenses); (d) $78,913 of reimbursement for the difference between the actual tax Mr. Park already paid and the hypothetical tax he had to pay for the fiscal year 2006 and 2007; (e) $24,962 for Mr. Park s living expenses; and (f) $23,087 for reimbursement of Korean tax and employee fringe benefits.

(7) Includes the following personal benefits paid to Mr. Park: (a) $154,798 which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. Park s housing lease; (b) $42,684 for insurance premiums (c) $31,750 for other personal benefits (including personal tax advisory expenses); (d) $1,188 of reimbursement in relation to a Korean tax payment in 2006; and (e) $14,048 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(8) Includes the following personal benefits paid to Mr. Hwang: (a) $7,832 for reimbursement of the use of a car; and (b) $3,052 for insurance premiums.

(9) Includes the following personal benefits paid to Mr. Hwang: (a) $9,541 for reimbursement of the use of a car; (b) $9,070 for insurance premiums; and (c) $1,682 for employee fringe benefits.

(10) Includes the following personal benefits paid to Mr. Hwang: (a) $11,056 for reimbursement of the use of a car; and (b) $420 for employee fringe benefits.

(11) Includes a $176,000 fixed non-discretionary payment under Mr. Rowe s offer letter (as supplemented), pursuant to which in 2007 Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. Effective as of April 2009, the right to receive the bonus became fixed and was no longer discretionary.

(12) Includes the following personal benefits paid to Mr. Rowe: (a) $1,597 for reimbursement of the use of a car; and (b) $10,634 for insurance premiums.

(13) Under Mr. Rowe s offer letter (as supplemented), in 2007, Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2008.

(14) Includes the following personal benefits paid to Mr. Rowe: (a) $1,983 for reimbursement of the use of a car; (b) $13,027 for insurance premiums; and (c) $10,663 for personal tax advisory expenses.

(15) Under Mr. Rowe s offer letter (as supplemented), in 2007, Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2007.

(16) Includes the following personal benefits paid to Mr. Rowe: (a) $121,826 of Mr. Rowe s relocation allowance when he returned to the U.S. from an expatriate assignment in Korea; (b) $3,000 for contributions to a pension plan; (c) $4,967 for personal tax advisory expenses; (d) $12,130 for insurance premiums; and (e) $268 for reimbursement of the use of a car.

(17) Includes the following personal benefits paid to Ms. Sakai: (a) $25,590, which is the total monthly rental payments for four months rent for MS. Sakai s housing, and $32,650, which is the imputed benefit to Ms. Sakai from a refundable deposit held by the lessor of Ms. Sakai s housing during the lease term; (b) $33,735 for reimbursement of tuition expenses for Ms. Sakai s children; (c) $21,352 for Ms. Sakai s home leave flights; (d) $28,238 for insurance premiums; (e) $8,568 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $13,535 for reimbursement of Korean tax.

(18) Includes the following personal benefits paid to Ms. Sakai: (a) $61,438, which is the imputed benefit to Ms. Sakai from a refundable deposit held by the lessor of Ms. Sakai s housing during the lease term; (b) $38,046 for reimbursement of tuition expenses for Ms. Sakai s children; (c) $23,420 for Ms. Sakai s home leave flights; (d) $27,211 for insurance premiums; (e) $21,460 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $8,450 for reimbursement of Korean tax and employee fringe benefits.

(19) Includes the following personal benefits paid to Ms. Sakai: (a) $72,661, which is the imputed benefit to Ms. Sakai from a refundable deposit held by the lessor of Ms. Sakai s housing during the lease term; (b) $30,649 for reimbursement of tuition expenses for Ms. Sakai s children; (c) $18,709 for Ms. Sakai s home leave flights; (d) $28,140 for insurance premiums; (e) $13,673 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $3,959 for reimbursement of the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(20) Includes the following personal benefits paid to Mr. McFarland: (a) $23,351 for reimbursement of tuition expenses for Mr. McFarland s child; (b) $19,978 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2008; (c) $20,227 for insurance premiums; (d) $1,089 for other personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $34,970 for reimbursement of Korean tax.

(21) Includes the following personal benefits paid to Mr. McFarland: (a) $21,334 for reimbursement of tuition expenses for Mr. McFarland s child; (b) $13,382 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2007; (c) $19,736 for insurance premiums paid; (d) $12,296 for other personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $13,042 for reimbursement of Korean tax and employee fringe benefits.

(22) Includes the following personal benefits paid to Mr. McFarland: (a) $35,837 for reimbursement of tuition expenses for Mr. McFarland s child; (b) $20,292 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2006; (c) $23,534 for insurance premiums; (d) $5,050 for other

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personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $12,621 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(23) Includes the following personal benefits paid to Mr. Krakauer: (a) $145,460 for Mr. Krakauer s housing expenses; (b) $24,329 for insurance premiums; and (c) $6,765 for other personal benefits (including reimbursement of the use of a car and living expenses).

(24) Includes the following personal benefits paid to Mr. Krakauer: (a) $225,940 for Mr. Krakauer s housing expenses; (b) $97,827 for reimbursement of living expenses; (c) $29,246 for reimbursement of tuition expenses for Mr. Krakauer s children; (d) $23,860 for Mr. Krakauer s home leave flights; (e) $22,842 for insurance premiums; (f) $22,404 for reimbursement of the use of two cars; (g) $49,789 for personal tax advisory expenses; (h) $248,302 of reimbursement for the difference between the actual tax Mr. Krakauer already paid and the hypothetical tax he had to pay for the fiscal year 2006, 2007 and 2008; (i) $29,604 for repatriation allowance paid to Mr. Krakauer; and (j) $70,422 for reimbursement of Korean tax and employee fringe benefits.

(25) Includes the following personal benefits paid to Mr. Krakauer: (a) $208,962, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. Krakauer s housing lease; (b) $30,643 for reimbursement of living expenses; (c) $71,683 for reimbursement of tuition expenses for Mr. Krakauer s children; (d) $20,242 for Mr. Krakauer s home leave flights; (e) $43,823 for insurance premiums; (f) $63,791 of reimbursement for all commission and closing costs for the sale of Mr. Krakauer s house in the United States; (g) $12,581 for personal tax advisory expenses; (h) $21,748 for reimbursement of the use of two cars; (i) $147,490 of reimbursement for the difference between the actual tax Mr. Krakauer already paid and the hypothetical tax he had to pay for the fiscal year 2006; and (j) $86,868 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to unit and option awards and other plan-based awards granted during the year ended December 31, 2009 to our named executive officers:

Name	Grant Date	All Other Unit Awards: Number of Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(1)	Exercise or Base Price of Option Awards ($/unit)(2)	Grant Date Fair Value of Unit and Option Awards ($)(3)
Sang Park	12/08/2009	2,240,000			$ 1,769,600
	12/08/2009		2,240,000	1.16	$ 488,070
Tae Young Hwang	12/08/2009	840,000			$ 663,600
	12/08/2009		1,400,000	1.16	$ 305,044
Brent Rowe	12/08/2009	560,000			$ 442,400
	12/08/2009		840,000	1.16	$ 183,026
Margaret Sakai	12/08/2009	336,000			$ 265,440
	12/08/2009		336,000	1.16	$ 73,211
John McFarland	12/08/2009	336,000			$ 265,440
	12/08/2009		224,000	1.16	$ 48,807

(1) The vesting schedule applicable to each award is set forth below in the section entitled Outstanding Equity Awards at Fiscal Year End 2009.

(2) Exceeds the per unit fair market value of our common units on the grant date ($0.79), as determined by our board of directors based on various factors.

(3) Represents ASC 718 grant date fair value. See Management s Discussion and Analysis of Financial Condition and Results of Operations Accounting for Unit-based Compensation for a description of how we valued our units as a private company.

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Outstanding Equity Awards at Fiscal Year End 2009(1)

	Option Awards				Unit Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(2)	Option Exercise Price ($)	Option Expiration Date	Number of Units That Have Not Vested (#)(3)	Market Value of Units That Have Not Vested ($)(4)
Sang Park		2,240,000	1.16	12/8/2019	1,478,400	1,167,936
Tae Young Hwang		1,400,000	1.16	12/8/2019	554,400	437,976
Brent Rowe		840,000	1.16	12/8/2019	369,600	291,984
Margaret Sakai		336,000	1.16	12/8/2019	221,760	175,190
John McFarland		224,000	1.16	12/8/2019	221,760	175,190

(1) All of our outstanding common and preferred units and outstanding options as of November 9, 2009 were terminated as of November 9, 2009 pursuant to our reorganization proceedings.

(2) An installment of 34% of the common units subject to the options will vest and become exercisable on December 8, 2010, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three-month periods, an additional 9% of the options vest upon the completion of the next quarter, and an additional 8% of the options vest upon the completion of each of the next three quarters.

(3) The restrictions on the common units lapse on December 8, 2010 as to 33% of the total amount of restricted common units originally awarded and on December 8, 2011 as to 33% of the total amount of restricted common units originally awarded.

(4) During fiscal year 2009, there was no established public trading market for our outstanding common equity. The reported value represents the product of multiplying the number of unvested restricted units by the value of our common units of $0.79 as of December 31, 2009, the last day of our fiscal year. See Management s Discussion and Analysis of Financial Condition and Results of Operations Accounting for Unit-based Compensation for a description of how we valued our common units while as a private company.

Option Exercises and Unit Vested at Fiscal Year End 2009(1)

Name	Number of Units Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
Sang Park	761,600	601,664
Tae Young Hwang	285,600	225,624
Brent Rowe	190,400	150,416
John McFarland	114,240	90,250
Margaret Sakai	114,240	90,250

(1) All of our outstanding common and preferred units and outstanding options as of November 9, 2009 were terminated as of November 9, 2009 pursuant to our reorganization proceedings.

(2) The restrictions on the awards lapsed on December 8, 2009 as to 34% of the total number of restricted common units originally awarded.

(3) During fiscal year 2009, there was no established public trading market for our outstanding common equity. The reported value represents the product of multiplying the number of vested units by the value of our units of $0.79 as of the date of vesting.

MagnaChip Semiconductor LLC 2009 Common Unit Plan

All of our outstanding common and preferred units and options and related plans were terminated as of November 9, 2009 pursuant to our reorganization proceedings. Following our emergence from our reorganization proceedings, in December 2009, our board of directors adopted, and our equityholders approved, the MagnaChip Semiconductor LLC 2009 Common Unit Plan, which we refer to as the 2009 Plan. The 2009 Plan provides for the grant of nonstatutory options, restricted unit bonus and purchase right awards, and deferred unit awards to employees and consultants of our company and our subsidiaries and to members of our board of directors. However, only options and restricted unit bonus awards have been granted under the 2009 Plan. Subject to adjustment in the event of certain changes in capital structure, the maximum aggregate number of MagnaChip Semiconductor LLC common units that are available for grant under the 2009 Plan is 30,000,000. Units subject to awards that expire, are forfeited or otherwise terminate will again be available for grant under the 2009 Plan.

In connection with our corporate conversion, MagnaChip Corporation will assume the rights and obligations of MagnaChip Semiconductor LLC under the 2009 Plan and convert MagnaChip Semiconductor LLC common unit options and restricted common units outstanding under the 2009 Plan into options to acquire a number of shares of our common stock and shares of restricted common stock at a ratio to be determined on substantially equivalent terms and conditions. As of August 31, 2010, there were outstanding under the 2009 Plan options to purchase 15,859,000 common units, at a weighted average exercise price of $0.79 per unit. The 2009 Plan will terminate immediately following our corporate conversion, and no additional options or other equity awards may be granted under the 2009 Plan following its termination. However, options granted under the 2009 Plan prior to its termination will remain outstanding until they are either exercised or expire.

The 2009 Plan is administered by the Committee. Subject to the provisions of the 2009 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2009 Plan and awards granted under it.

In the event of a change in control of our company, the vesting of all outstanding awards held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option.

2010 Equity Incentive Plan

Our 2010 Equity Incentive Plan, or the 2010 Plan, was approved by our board of directors in March 2010 and will be effective upon our corporate conversion, subject to its approval by our equityholders, which is expected prior to the closing of the MagnaChip Corporation IPO.

A number of shares of our common stock equal to the total number of shares of common stock (as adjusted by the conversion ratio in the corporate conversion) remaining available for grant under the 2009 Plan upon its termination immediately following the corporate conversion will be initially authorized and reserved for issuance under the 2010 Plan. As of June 30, 2010, 6,887,000 common units were reserved for future issuance under the 2009 Plan. This reserve will automatically increase on January 1, 2011 and each subsequent anniversary through 2020, by an amount equal to the smaller of 2% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or an amount determined by our board of directors. The number of shares authorized for issuance under the 2010 Plan will also be increased from time to time by up to that number of shares of common stock (as adjusted by the conversion ratio in corporate conversion) remaining subject to options and restricted stock awards outstanding under the 2009 Plan at the time of its termination immediately following the corporate conversion that expire or terminate or are forfeited for any reason after the effective date of the 2010 Plan. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2010 Plan and in outstanding awards to prevent dilution or enlargement of participants rights in the event of a stock split or other change in our capital structure. Shares subject to awards granted under our 2010 Plan which expire, are repurchased, or are cancelled or forfeited will again become available for issuance under the 2010 Plan. The shares available will not be reduced by awards settled in cash. Shares withheld to satisfy tax withholding obligations will not again become available for grant. The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2010 Plan.

Awards may be granted under the 2010 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock-based awards to any eligible participant.

The 2010 Plan is administered by the Committee. Subject to the provisions of the 2010 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2010 Plan and awards granted under it.

In the event of a change in control as described in the 2010 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2010 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The Committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all awards held by members of our board of directors who are not employees will automatically be accelerated in full. The 2010 Plan also authorizes the Committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

2010 Employee Stock Purchase Plan

Our 2010 Employee Stock Purchase Plan, or the Purchase Plan, was approved by our board of directors in March 2010 and, subject to its approval by our equityholders, will become effective upon the closing of the MagnaChip Corporation IPO.

A number of shares of our common stock equal to 2% of the number of shares of common stock estimated to be outstanding immediately after completion of the MagnaChip Corporation IPO, including the exercise of the underwriters option to purchase additional shares will be initially authorized and

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reserved for sale under the Purchase Plan. In addition, the Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2011 and continuing through and including January 1, 2020 equal to the lesser of (i) 1% of our then issued and outstanding shares of common stock on the immediately preceding December 31, (ii) a number of shares of our common stock equal to 2% of the number of shares of common stock estimated to be outstanding immediately after completion of the MagnaChip Corporation IPO, including the exercise of the underwriters option to purchase additional shares or (iii) a number of shares as our board may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the Purchase Plan.

Our employees and employees of any parent or subsidiary corporation designated by the Committee are eligible to participate in the Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the Purchase Plan if: (i) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (ii) the employee s rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

The Purchase Plan is implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August and November each year. However, the Committee may establish an offering period to commence on the effective date of the Purchase Plan that will end on a date determined by the Committee. The Committee is authorized to establish additional or alternative concurrent, sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant, generally through payroll deductions, are credited toward the purchase of shares of our common stock at the end of each offering period at a price generally equal to 95% of the fair market value of our common stock on the purchase date. Prior to commencement of an offering period, the Committee is authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our common stock at the beginning of the offering period or on the purchase date.

No participant may purchase under the Purchase Plan in any calendar year shares having a value of more than $25,000 measured by the fair market value per share of our common stock on the first day of the applicable offering period. Prior to the beginning of any offering period, the Committee may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the Committee will make a pro rata allocation of the available shares. Any amounts withheld from participants compensation in excess of the amounts used to purchase shares will be refunded, without interest.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control as specified by the Committee, but the number of shares subject to outstanding purchase rights shall not be adjusted.

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Agreements with Executives and Potential Payments Upon Termination or Change in Control

We are obligated to make certain payments to our named executive officers upon termination or a change in control as further described below.

Sang Park. We are party to an Amended and Restated Services Agreement, dated as of May 8, 2008, with Mr. Park pursuant to which he serves as our Chairman and Chief Executive Officer. Under the agreement, Mr. Park was to receive an initial base salary of $450,000 and a one-time performance bonus payment of $900,000. Mr. Park is also entitled to an annual incentive award of 100% of his annual salary based upon the achievement of performance goals, provided that the actual bonus paid may be higher or lower dependent on over- or under-achievement of his performance goals, as determined by the Committee. Mr. Park is entitled to customary employee benefits and certain expatriate, repatriation and international service benefits, including relocation benefits, tax equalization benefits, the cost of housing accommodations and expenses, transportation benefits and repatriation benefits. Pursuant to the agreement Mr. Park was granted options to purchase restricted common units but they were subsequently terminated in connection with our reorganization proceedings. The restated service agreement also contains customary non-competition and non-solicitation covenants lasting two and three years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

If Mr. Park s employment is terminated without Cause or if he resigns for good reason, Mr. Park is entitled to receive (i) payment of all salary and benefits accrued up to the date of termination, (ii) payment of his then-current base salary for twelve months, (iii) the annual incentive award to which Mr. Park would have been entitled for the year in which his employment terminates, (iv) twelve months accelerated vesting on outstanding equity awards and a twelve-month post-termination equity award exercise period, and (v) continued participation for Mr. Park and his eligible dependents in our benefit plans for twelve months, including certain international service benefits.

If such termination occurs within nine months of a change in control, Mr. Park is entitled to receive (i) payment of all salary and benefits accrued and unpaid up to the date of termination, (ii) payment of his then-current base salary for twenty-four months, (iii) the annual incentive award to which Mr. Park would have been entitled for the year in which his employment terminates, (iv) two years accelerated vesting on outstanding equity awards, other than awards granted pursuant to the 2009 Plan, which accelerate in full, (v) a twelve-month post-termination equity award exercise period, and (vi) continued participation for Mr. Park and his eligible dependents in our benefit plans for two years, including certain international service benefits.

The severance described above payable to Mr. Park upon his termination without Cause or in connection with a change in control shall be reduced to the extent that we pay any statutory severance payments to Mr. Park pursuant to the Korean Commercial Code or any other statute.

As used in the agreement, the term Cause means the termination of Mr. Park s employment because of (i) a failure by Mr. Park to substantially perform his customary duties (other than such failure resulting from incapacity due to physical or mental illness); (ii) Mr. Park s gross negligence, intentional misconduct or material fraud in the performance of Mr. Park s employment; (iii) Mr. Park s conviction of, or plea of nolo contendre to, a felony or to a crime involving fraud or dishonesty; (iv) a judicial determination that Mr. Park committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity; or (v) Mr. Park s material violation of the agreement or of one or more of the material policies applicable to his employment. Resignation for good reason means a resignation upon any of the following events that remains uncured for 30 days after Mr. Park delivers a demand to us: (i) a salary reduction other than a reduction of less than 10% applied to our other officers, (ii) material reduction in benefits, (iii) failure to provide housing, (iv) nature or status of

Mr. Park s authorities, duties or responsibilities are materially and adversely altered, (v) removal from our board of directors without cause, or (vi) Mr. Park is not reappointed as Chief Executive Officer following our initial public offering.

In the event we terminate Mr. Park s employment due to Disability, Mr. Park shall be entitled to (i) payment of his Salary and accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) the prorated amount of any cash incentive to which Mr. Park would have been entitled, and (iv) other benefits due to Mr. Park through his termination date. As used in the agreement, the term Disability means that the we determine that due to physical or mental illness or incapacity, whether total or partial, Mr. Park is substantially unable to perform his duties for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days.

In the event of Mr. Park s death while employed by us, Mr. Park s estate or named beneficiary shall be entitled to (i) payment of Mr. Park s salary and accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) the prorated amount of any cash incentive to which Mr. Park would have been entitled, and (iv) other benefits due to Mr. Park through his termination date.

Tae Young Hwang. We entered into an Entrustment Agreement with Mr. Hwang, effective as of October 1, 2004, under which he serves as our Chief Operating Officer and President, with an initial base salary of 220 million Korean won per year and with a target annual incentive bonus to be determined by management based on performance. Mr. Hwang is entitled to customary employee benefits and expatriate benefits. The agreement also contains customary non-competition covenants lasting one year from the date of termination of employment and confidentiality covenants of unlimited duration.

If Mr. Hwang s employment is terminated for any reason, he is entitled to statutory severance payments pursuant to the Korean Commercial Code.

Brent Rowe. We entered into an Offer Letter with Mr. Rowe, dated as of March 7, 2006, pursuant to which Mr. Rowe serves as our Senior Vice President, Worldwide Sales, with an initial base salary of $220,000 per year, a sign on bonus of $50,000 and with a target annual incentive bonus opportunity of 80% of his base salary. Mr. Rowe is entitled to customary employee benefits. Pursuant to the Offer Letter, Mr. Rowe received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings.

If Mr. Rowe s employment is terminated without cause, he is entitled to a severance payment equal to six months salary.

Margaret Sakai. We entered into an Offer Letter with Ms. Sakai, dated as of September 5, 2006, pursuant to which Ms. Sakai served as our Senior Vice President, Finance, with an initial base salary of $250,000 per year and with a target annual incentive bonus opportunity of 50% of her base salary. Ms. Sakai s title was changed to Senior Vice President and Chief Financial officer in 2009. Ms. Sakai is entitled to customary employee benefits and expatriate benefits. Pursuant to her Offer Letter, Ms. Sakai received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings.

If Ms. Sakai s employment is terminated by us without cause, Ms. Sakai is entitled to receive payment of all salary and benefits accrued and unpaid up to the date of termination, continued payment of her salary for six months at the rate in effect on the date of termination, payment of a prorated portion of the annual incentive bonus for the year in which termination occurs and paid benefits for Ms. Sakai and her dependents for six months. The severance payable to Ms. Sakai under her Offer Letter will be reduced to the extent we make any statutory severance payments to Ms. Sakai pursuant to the Korean Commercial Code or any other statute.

John McFarland. We are party to a Service Agreement, dated as of April 1, 2006, with Mr. McFarland pursuant to which he serves as our Senior Vice President, General Counsel and Secretary. Under the agreement, Mr. McFarland was eligible to receive an initial base salary of 175 million Korean won per year, with a target annual incentive bonus opportunity of 50% of his base salary. Mr. McFarland is entitled to customary employee benefits and certain expatriate, repatriation and international service benefits. Mr. McFarland received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings. The agreement also contains customary non-competition and non-solicitation covenants lasting one and two years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

Pursuant to the agreement, if Mr. McFarland s employment is terminated for any reason other than Disability, death or Cause, he shall be entitled to (i) payment of all salary and benefits accrued up to the date of termination, (ii) a severance payment, consisting of the continuation of his then current salary for a period of six months, (iii) six months of paid benefits for Mr. McFarland and his eligible dependents and (iv) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled. The severance payable to Mr. McFarland under his agreement will be reduced to the extent we make any statutory severance payments to Mr. McFarland pursuant to the Korean Commercial Code or any other statute.

In the event we terminate Mr. McFarland s employment due to Disability, Mr. McFarland shall be entitled to (i) payment of his then current salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon Mr. McFarland s most recent level of salary, (iii) any cash incentive amount actually earned but not previously paid to Mr. McFarland, (iv) payment of any unpaid expense reimbursements, and (v) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled. As used in the agreement, the term Disability means that we reasonably determine that due to physical or mental illness or incapacity, whether total or partial, Mr. McFarland is substantially unable to perform his duties for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days.

In the event of Mr. McFarland s death while employed by us, Mr. McFarland s estate or named beneficiary shall be entitled to (i) payment of Mr. McFarland s then current salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon Mr. McFarland s then current salary, (iii) any cash incentive amount actually earned but not previously paid to Mr. McFarland, (iv) payment of any unpaid expense reimbursements, and (v) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled.

If Mr. McFarland s employment is terminated for Cause, he will be entitled to receive payment of all salary and benefits and unreimbursed expenses accrued up to the date of termination and will not be entitled to any other compensation. As used in the agreement, the term Cause has substantially the same definition as that in Mr. Park s agreement.

Robert J. Krakauer. Until April 10, 2009, Robert J. Krakauer served as our President, Chief Financial Officer and director. In April 2009, we entered into a Senior Advisor Agreement with Mr. Krakauer. Under this agreement, Mr. Krakauer resigned from employment and as a director with us but remains available to consult with us on a limited capacity until April 10, 2010. Pursuant to the Senior Advisor Agreement, Mr. Krakauer is entitled to payments in the aggregate amount of $375,000, payable over a one-year period, plus the re-payment of amounts of reduced salary for the first three

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months of 2009, in addition to the continuation of certain benefits and perquisites, including health insurance benefits, and the continuation of auto lease payments for a certain number of months. In addition, we waived any right we had to repurchase any restricted units held by Mr. Krakauer at the time of his resignation. All common units held by Mr. Krakauer were terminated in connection with our reorganization proceedings.

Potential Payments upon Termination or Change in Control.

Termination. Our named executive officers are eligible to receive certain payments and benefits in connection with certain service termination events pursuant to the terms of our employment agreements with them, as further described under the section entitled Agreements with Executives and Potential Payments Upon Termination or Change in Control. The terms cause and resignation for good reason used below have the meanings given to them in the applicable agreements with us.

Change in Control. Mr. Park is entitled to receive certain payments and benefits in connection with a change in control of our company pursuant to our employment agreement with him, as further described under the section entitled Agreements with Executives and Potential Payments Upon Termination or Change in Control. In addition, in the event of a change in control of our company, the vesting of all outstanding awards issued under the 2009 Plan held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option. For purposes of the foregoing, a change in control is generally defined as the acquisition by a person or entity of more than 51% of the combined voting power of our then outstanding voting securities or a sale or transfer of all or substantially all of our consolidated assets to a person or entity that is not our affiliate. The MagnaChip Corporation IPO will not constitute a change of control for the purposes of these provisions.

The following table presents our estimate of the dollar value of the payments and benefits payable to our named executive officers upon the occurrence of the following events, assuming that each such event occurred on December 31, 2009. The disclosure in the following table does not include:

- any accrued benefits that were earned and payable as of December 31, 2009, including any short-term cash incentive amounts earned by, or any discretionary bonus amounts payable to, the executive officer for 2009 performance; or

- payments and benefits to the extent they are provided generally to all salaried employees and do not discriminate in scope, terms or operation in favor of the named executive officers.

Name	Event	Cash Severance Payment ($)(1)	Continuation of Benefits ($)(2)	Value of Equity Award Acceleration ($)(3)	Total ($)
Sang Park	(a)(4)	450,000	314,785(5)	583,968	1,348,753
	(b)(4)	900,000	629,570(6)	1,167,936	2,697,506
	(c)			1,167,936	1,167,936
Tae Young Hwang	(c)			437,976	437,976
Brent Rowe	(a)	110,000			110,000
	(c)			291,984	291,984
Margaret Sakai	(a)	130,000	81,834(7)		211,834
	(c)			175,190	175,190
John McFarland	(a)	94,210	49,808(8)		144,018
	(c)			175,190	175,190

(a) Termination without cause in absence of change in control
(b) Termination without cause within 9 months following a change in control
(c) Change in control
(1) Represents cash severance payments payable to our named executive officers pursuant to our employment agreements with them, prior to giving effect to the terms thereof relating to the Employee Retirement Benefit Security Act of Korea. Other than Mr. Rowe, who is entitled to a lump sum cash severance payment, cash severance payments are paid monthly in accordance with our regular payroll procedures.

Pursuant to the Employee Retirement Benefit Security Act, Mr. Hwang, Ms. Sakai and Mr. McFarland are entitled to certain statutory severance benefits from us upon the termination of their employment with us for any reason. See Management Compensation Discussion and Analysis Perquisites and Other Benefits for additional information. For these executives, the amounts reflected in this column would be reduced to the extent we are obligated to make these statutory severance payments.

(2) Calculated assuming the continuation of benefits for the applicable period at the same dollar value of 2009 benefits.
(3) Reflects the aggregate value of the accelerated vesting of the named executive officer s unvested options and restricted common units, as applicable.

Because all of our options outstanding as of December 31, 2009 have an exercise price greater than the fair market value of our common units of $0.79 as of December 31, 2009, no additional value is represented by the acceleration of outstanding unvested common units subject to such awards and therefore, the value of accelerated vesting of unvested options is $0.00.

Because all of our restricted common units issued under the 2009 Plan outstanding as of December 31, 2009 were issued without any required monetary payment, the amounts were calculated by multiplying (i) the number of outstanding restricted common units subject to award vesting on December 31, 2009 by (ii) the fair market value of our common units of $0.79 as of December 31, 2009.

(4) Reflected benefits are also payable in connection with Mr. Park s resignation for good reason. See Management Agreements with Executives and Potential Payments Upon Termination or Change in Control Sang Park.
(5) Represents the aggregate value of the continuation of health insurance benefits for Mr. Park and his eligible dependents for twelve months following the date of termination. Mr. Park is also entitled to tax equalization benefits, tax preparation services, the reimbursement of costs associated with one home leave flight and, for a period of twelve months post-termination, international health insurance benefits, paid housing and the use of a car and a driver.
(6) Represents the aggregate value of the continuation of health insurance benefits for Mr. Park and his eligible dependents for twenty-four months following the date of termination. Mr. Park is also entitled to tax equalization benefits, tax preparation services, the reimbursement of costs associated with two home leave flights and, for a period of twenty-four months post-termination, international health insurance benefits, paid housing and the use of a car and a driver.
(7) Represents the aggregate value of the continuation of health insurance benefits for Ms. Sakai and her eligible dependents for six months following the date of termination. Ms. Sakai is also entitled to tax equalization benefits, tax preparation services, reimbursement of costs associated with one home leave flight and, for a period of six months post-termination, paid housing, the use of a car and a driver and child tuition benefits.
(8) Represents the aggregate value of continuation of health insurance benefits for Mr. McFarland and his eligible dependents for six months following the date of termination. Mr. McFarland is also entitled to tax equalization, tax preparation services and, for a period of six months post-termination, child tuition benefits.

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Pension Benefits for the Fiscal Year Ended December 31, 2009

Pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. The base statutory severance accrues at the rate of approximately one month of base salary per year of service and is calculated on a monthly basis based upon the officer s salary for the prior three-month period. Accordingly, if the named executive officers in the following table had retired on the last day of our fiscal year ended December 31, 2009, they would have been entitled to the statutory severance payments described below. Assuming no change in the applicable law, each of these executives will continue to accrue additional statutory severance benefits at the rate described above until his or her service with us terminates.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During the Last Fiscal Year
Tae Young Hwang	Statutory Severance with Multiplier for Partial Period	14(1)	686,058	
Margaret Sakai	Statutory Severance	3	68,155	
John McFarland	Statutory Severance	5	81,129	

Footnote:

(1) Mr. Hwang accrued severance for his fourteen years of service at MagnaChip and its predecessor corporation. Although the minimum legal severance accrual is one month of base salary per year of service, Mr. Hwang was eligible for accrual of a multiple of two to three months of base salary per year of service during approximately the first ten of his fourteen years of service, or $389,867 in aggregate.

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

Director Compensation for the Fiscal Year Ended December 31, 2009

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Jerry M. Baker(2)(3)	50,000		25,751(4)	75,751
Armando Geday(2)(3)	50,000			50,000
Michael Elkins(5)				
Randal Klein(5)				
Steven Tan(5)				
Nader Tavakoli(5)				

Note: Amounts set forth in the above table that were originally paid in Korean won have been converted into U.S. dollars at the exchange rate as of each payment date during the two-month period ended December 31, 2009 and the ten-month period ended October 25, 2009.

Footnotes:

(1) All of our common and preferred units and outstanding options, including grants made to our directors outstanding prior to the effective date of our Chapter 11 reorganization of November 9, 2009, were terminated as of such date pursuant to our reorganization proceedings.

(2) Resigned as a director effective November 9, 2009.

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(3) Consists of annual retainer of $50,000 paid to non-employee directors prior to our reorganization proceedings.
(4) Represents payments for insurance premiums.
(5) Each of our non-employee directors appointed to our board of directors subsequent to the effective date of our Chapter 11 reorganization did not receive any compensation in 2009.

Further Information Regarding Director Compensation Table

In March 2010, we issued to our director Nader Tavakoli a restricted unit bonus for 150,000 common units pursuant to the 2009 Plan for service as a director to date. In March 2010, we also adopted a new director compensation policy. Under the new policy, each of our non-employee directors is entitled to receive an annual fee of $50,000. In addition, the chairman of our audit committee is entitled to an additional fee of $5,000. We expect to issue each non-employee director an option to purchase 200,000 common units of MagnaChip Semiconductor LLC, which after giving effect to the corporate conversion, will be automatically converted into shares of our common stock, which shall vest on the same terms as option grants to our other grantees. In March 2010, pursuant to this policy, we issued options to purchase 200,000 common units to each of our directors R. Douglas Norby, Gidu Shroff and Nader Tavakoli pursuant to the 2009 Plan at an exercise price of $2.12 per unit.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee will be appointed prior to the completion of our proposed MagnaChip Corporation IPO. We do not anticipate that any of the members of the Compensation Committee will have been an officer or employee of our company during the last fiscal year. During 2009, decisions regarding executive officer compensation were made by our full board of directors. Mr. Sang Park, Chairman of our board of directors and our Chief Executive Officer, participated in deliberations of our board of directors regarding the determination of compensation of our executive officers other than himself. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the outstanding common units of MagnaChip Semiconductor LLC as of August 31, 2010 by: (1) each person or entity known to us to beneficially own more than 5% of any class of our outstanding securities; (2) each member of our board of directors; (3) each of our named executive officers; and (4) all of the members of our board of directors and executive officers, as a group. As of August 31, 2010, our outstanding securities consisted of 307,233,996 common units, options to purchase 15,859,000 common units and warrants to purchase 15,000,000 common units.

The amounts and percentages of equity interests beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he or she has no economic interest.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all common units shown as beneficially owned by them. Unless otherwise indicated, the address of each person listed in the table below is c/o MagnaChip Semiconductor Ltd., 1 Hyang jeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(1)
Principal Unitholders		
Funds managed by Avenue Capital Management II, L.P(2)	218,927,386	70.2%
Funds and accounts managed by Southpaw Asset Management LP(3)	23,555,229	7.7%
Tennenbaum Multi-Strategy Fund SPV (Cayman) Ltd.(4)	20,710,045	6.7%
Directors and Executive Officers		
Sang Park(5)	2,240,000	*
Tae Young Hwang(6)	840,000	*
Brent Rowe(7)	560,000	*
Margaret Sakai(8)	336,000	*
John McFarland(9)	336,000	*
Michael Elkins(10)		
Randal Klein(10)		
Steven Tan(10)		
Nader Tavakoli(11)	150,000	*
R. Douglas Norby		
Gidu Shroff		
Robert Krakauer(12)		
Directors and executive officers as a group (13 persons)(13)	4,910,000	1.6%

* Less than one percent.

(1) Includes any outstanding common units held and, to the extent applicable, units issuable upon the exercise or conversion of any securities that are exercisable or convertible within 60 days of August 31, 2010.

(2) The following entities and person are collectively referred to in this table as the Avenue Capital Group : (i) Avenue Investments, L.P. (Avenue Investments), (ii) Avenue International Master,

L.P. (Avenue International Master), (iii) Avenue International, Ltd. (Avenue International), the sole limited partner of Avenue International Master, (iv) Avenue International Master GenPar, Ltd. (Avenue International GenPar), the general partner of Avenue International Master, (v) Avenue Partners, LLC (Avenue Partners), the general partner of Avenue Investments and the sole shareholder of Avenue International GenPar, (vi) Avenue-CDP Global Opportunities Fund, L.P. (CDP Global), (vii) Avenue Global Opportunities Fund GenPar, LLC (CDP Global GenPar), the general partner of CDP Global, (viii) Avenue Special Situations Fund IV, L.P. (Avenue Fund IV), (ix) Avenue Capital Partners IV, LLC (Avenue Capital IV), the general partner of Avenue Fund IV, (x) GL Partners IV, LLC (GL IV), the managing member of Avenue Capital IV, (xi) Avenue Special Situations Fund V, L.P. (Avenue Fund V), (xii) Avenue Capital Partners V, LLC (Avenue Capital V), the general partner of Avenue Fund V, (xiii) GL Partners V, LLC (GL V), the managing member of Avenue Capital V, (xiv) Avenue Capital Management II, L.P. (Avenue Capital II), the investment advisor to Avenue Investments, Avenue International Master, CDP Global, Avenue Fund IV and Avenue Fund V (collectively, the Avenue Funds), (xv) Avenue Capital Management II GenPar, LLC (GenPar), the general partner of Avenue Capital II, and (xvi) Marc Lasry, the managing member of GenPar, GL V, GL IV, CDP Global GenPar and Avenue Partners and a director of Avenue International GenPar.

The Avenue Capital Group beneficially owns 218,927,386 common units, including the 4,447,680 common units the Avenue Capital Group may receive through the exercise of outstanding warrants.

The Avenue Funds have the sole power to vote and dispose of the common units held by them. Avenue International, Avenue International GenPar, Avenue Partners, CDP Global GenPar, Avenue Capital IV, GL IV, Avenue Capital V, GL V, Avenue Capital II, GenPar and Marc Lasry have the shared power to vote and dispose of the common units held by the Avenue Funds, all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. The address for all of the Avenue Funds is 399 Park Avenue, 6th Floor, New York, NY 10022.

Avenue Fund V beneficially owns 88,938,119 common units, or 28.7%, which represents 86,756,399 common units and 2,181,720 common units issuable upon the exercise of warrants held by Avenue Fund V. The securities owned by Avenue Fund V may also be deemed to be beneficially owned by Avenue Capital V, its general partner; GL V, the managing member of Avenue Capital V; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and GL V; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Fund V, please see above.

Avenue Fund IV beneficially owns 70,458,255 common units, or 22.8%, which represents 69,186,975 common units and 1,271,280 common units issuable upon the exercise of warrants held by Avenue Fund IV. The securities owned by Avenue Fund IV may also be deemed to be beneficially owned by Avenue Capital IV, its general partner; GL IV, the managing member of Avenue Capital IV; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and GL IV; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Fund IV, please see above.

Avenue International Master beneficially owns 35,568,286 common units, or 11.6%, which represents 35,004,706 common units and 563,580 common units issuable upon the exercise of warrants held by Avenue International Master. The securities owned by Avenue International Master may also be deemed to be beneficially owned by Avenue International, its sole limited partner; Avenue International GenPar, its general partner; Avenue Partners, the sole shareholder of Avenue International GenPar; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and Avenue

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Partners and a director of Avenue International GenPar; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue International Master, please see above.

CDP Global beneficially owns 12,104,679 common units, or 3.9%, which represents 11,862,159 common units and 242,520 common units issuable upon the exercise of warrants held by CDP Global. The securities owned by CDP Global may also be deemed to be beneficially owned by CDP Global GenPar, its general partner; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and CDP Global GenPar; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding CDP Global, please see above.

Avenue Investments beneficially owns 11,858,047 common units, or 3.9%, which represents 11,669,467 common units and 188,580 common units issuable upon the exercise of warrants held by Avenue Investments. The securities owned by Avenue Investments may also be deemed to be beneficially owned by Avenue Partners, its general partner; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and Avenue Partners; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Investments, please see above.

(3) Represents 23,555,229 common units that may be deemed to be beneficially owned by Southpaw Asset Management LP (Southpaw Management) as it serves as the discretionary investment manager for several funds and accounts (the Managed Accounts). The securities beneficially owned by Southpaw Management may be deemed beneficially owned by Southpaw Holdings LLC (Southpaw Holdings), which is the general partner of Southpaw Management, and by each of Kevin Wyman and Howard Golden, who are principals of Southpaw Holdings.

Southpaw Credit Opportunity Master Fund, L.P (Southpaw Master Fund) beneficially owns 22,885,269 common units. The securities owned by Southpaw Master Fund may also be deemed beneficially owned by Southpaw Management, in its capacity as the investment manager of Southpaw Master Fund, and Southpaw GP LLC (Southpaw GP), in its capacity as general partner of Southpaw Master Fund. The securities deemed beneficially owned by Southpaw Management may also be deemed beneficially owned by Southpaw Holdings, which is the general partner of Southpaw Management, and by each of Kevin Wyman and Howard Golden, who are principals of Southpaw Holdings and Southpaw GP.

The business address of each of Southpaw Master Fund, Southpaw Management, Southpaw GP, Southpaw Holdings, and Messrs. Wyman and Golden is 2 Greenwich Office Park, 1st floor, Greenwich, CT 06831. For the avoidance of doubt, none of Southpaw Management, Southpaw GP, Southpaw Holdings, or Messrs. Wyman and Golden hold common units for their personal accounts, and each reports beneficial ownership of the securities held by Southpaw Master Fund and the Managed Accounts due solely to the fact that such persons have the ability to vote and/or dispose of the securities held by Southpaw Master Fund and the Managed Accounts.

(4) Represents 20,710,045 common units held by Tennenbaum Multi-Strategy Fund SPV (Cayman) Ltd. (Tennenbaum Cayman SPV). Tennenbaum Capital Partners, LLC is the investment manager of Tennenbaum Cayman SPV, and may be deemed to be the beneficial owner of the securities held by such principal unitholder. Tennenbaum Capital Partners, LLC, however, disclaims beneficial ownership of these securities, except to the extent of its pecuniary interest therein. The address for Tennenbaum Cayman SPV is 2951 28th Street, Suite 1000, Santa Monica, CA 90405.

(5) Represents 2,240,000 common units, of which 1,478,400 are subject to a right of repurchase by MagnaChip.

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(6) Represents 840,000 common units, of which 554,400 are subject to a right of repurchase by MagnaChip.
(7) Represents 560,000 common units, of which 369,600 are subject to a right of repurchase by MagnaChip.
(8) Represents 336,000 common units, of which 221,760 are subject to a right of repurchase by MagnaChip.
(9) Represents 336,000 common units, of which 221,760 are subject to a right of repurchase by MagnaChip.
(10) The address for Messrs. Elkins, Klein and Tan is 399 Park Avenue, 6th Floor, New York, NY 10022.
(11) Represents 150,000 common units.
(12) Mr. Krakauer resigned as our President, Chief Financial Officer and director on April 10, 2009.
(13) Represents 4,910,000 common units, of which 3,141,600 are subject to a right of repurchase by MagnaChip.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Code of Business Conduct and Ethics

Under our Code of Business Conduct and Ethics, all conflicts of interest and related party transactions involving our directors or executive officers must be reviewed and approved in writing by our full board of directors. In the approval process, the approving authority will review all aspects of the conflict of interest or related party transaction, including but not limited to: (i) compliance with laws, rules and regulations, (ii) the adverse affect on our business and results of operations, (iii) the adverse affect on our relationships with third parties such as customers, vendors and potential investors, (iv) the benefit to the director, officer or employee at issue, and (v) the creation of morale problems among other employees. Our board of directors will only approve those related party transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests.

Senior Debt

Avenue Investments, L.P. (one of the Funds affiliated with Avenue Capital Management II, L.P., which is, together with other affiliates, our majority unitholder, and an affiliate of our directors Messrs. Elkins, Klein and Tan) was a lender under our senior secured credit facility. On November 6, 2009, in connection with the reorganization proceedings, our senior secured credit agreement was amended and restated to, among other things, reduce the outstanding principal amount from $95 million to $61.8 million, pursuant to which we repaid $33.2 million in principal, $22.6 million of which was paid to Avenue Investments, L.P. As of December 31, 2009, the outstanding indebtedness under our senior secured credit facility was $61.8 million, of which $42.1 million was held by Avenue Investments, L.P. As of December 31, 2009, the interest rate for all borrowings under the senior secured credit facility was 6 month LIBOR plus 12% per annum and we accrued $1.2 million in interest under the senior secured credit facility as of December 31, 2009, of which $0.8 million was accrued for Avenue Investments, L.P. Other Funds affiliated with Avenue Capital Management II, L.P. participate in the loan from Avenue Investments, L.P. under our senior secured credit agreement pursuant to a master participation agreement. Our senior secured credit agreement was repaid in April 2010 with a portion of the proceeds from our $250 million senior notes offering, $42.8 million of which was paid to Avenue Investments, L.P., including $0.9 million of accrued interest. Avenue purchased $35 million in principal amount our $250 million senior notes. See Description of Notes for additional information.

Issuance of Common Units

In connection with our plan of reorganization, Avenue received an aggregate of 8,348,338 common units and warrants to purchase up to an aggregate of 4,447,680 common units in exchange for the release of claims relating to outstanding indebtedness in an aggregate principal amount of approximately $322.6 million. Avenue also acquired 176,131,368 common units at $0.14 per unit pursuant to a $35 million rights offering that we completed in November 2009 and an additional 30,000,000 common units for providing a backstop service in agreeing to purchase any unsubscribed units in the offering.

In connection with our plan of reorganization, Tennenbaum Multi-Strategy Fund SPV (Cayman) Ltd., or Tennenbaum, received 1,169,965 common units in exchange for the release of claims relating to approximately the principal amount of $38.8 million of outstanding indebtedness. Tennenbaum also acquired 19,540,080 common units in the rights offering.

In connection with our plan of reorganization, Southpaw Credit Opportunity Master Fund LP, or Southpaw Master Fund, received 1,272,237 common units in exchange for the release of their claims relating to approximately the principal amount of $42.9 million of outstanding indebtedness. Southpaw

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Master Fund also acquired 21,613,032 common units in the rights offering. Wilshire Institutional Master Fund SPC Wilshire Southpaw Opportunity Segregated Portfolio, or Wilshire Institutional, received 32,189 common units in exchange for the release of their claims relating to approximately the principal amount of $1.1 million of outstanding indebtedness. Wilshire Institutional also acquired 546,840 common units in the rights offering. Lastly, GPC 76, LLC received 90,931 common units in exchange for the release of their claims relating to approximately the principal amount of $3.1 million of outstanding indebtedness.

Operating Agreement

Pursuant to the terms of our Operating Agreement, so long as Avenue and its affiliates own at least 25% of our outstanding common units, Avenue has the right to appoint a majority of the directors on our board of directors. In addition, pursuant to the terms of our Operating Agreement, Avenue has the right to effect a drag-along sale in which Avenue, in its sole discretion, may require all of our members to sell such number of their respective common units on a pro-rata basis as Avenue desires to any person to whom Avenue sells its units so long as such person is not affiliated with Avenue and such sale is made upon the same terms and conditions as apply to Avenue.

The foregoing summary of certain provisions of the Operating Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Operating Agreement, which is listed as an exhibit to the registration statement of which this prospectus forms a part. See Where You Can Find More Information.

Equity Registration Rights Agreement

On November 9, 2009, we entered into a registration rights agreement, which we refer to in this prospectus as the equity registration rights agreement, with the holders of MagnaChip Semiconductor LLC s common units issued in our reorganization proceedings, including Avenue, where we granted them registration rights with respect to our common units. See Description of Our Common Units Equity Registration Rights.

Warrant Agreement

On November 9, 2009, we entered into a warrant agreement with American Stock Transfer & Trust Company, LLC whereby we issued warrants to purchase an aggregate of 15,000,000 common units pursuant to the reorganization proceedings to certain former creditors, which included Avenue.

Senior Advisor Agreement

In April 2009, we entered into a Senior Advisor Agreement with Mr. Krakauer, who formerly served as our President, Chief Financial Officer and director, pursuant to which he remained available to consult with us through April 10, 2010. Under this agreement, Mr. Krakauer was entitled to payments in the aggregate amount of $375,000 payable over a one-year period, plus the repayment of amounts of reduced salary for the first three months of 2009, in addition to the continuation of certain benefits and perquisites, including health insurance benefits, and the continuation of auto lease payments for a certain number of months. In addition, we waived any right we had to repurchase any restricted units held by Mr. Krakauer at the time of his resignation. All common units held by Mr. Krakauer were terminated in connection with our reorganization proceedings.

Notes Registration Rights Agreement

In connection with the original issuance and sale of the senior notes, we entered into an exchange and registration rights agreement, which we refer to as the notes registration rights

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agreement, dated as of April 9, 2010 with the initial purchasers of the senior notes, including Avenue, pursuant to which we agreed to file with the SEC a registration statement covering the exchange by us of the notes for the senior notes and a shelf registration statement covering resales of senior notes by certain holders, including Avenue. The notes registration rights agreement obligates us to file with the SEC an exchange offer registration statement on an appropriate form under the Securities Act with respect to an offer to the holders of the senior notes to exchange their senior notes for the notes. We have filed the registration statement of which this prospectus forms a part, and are conducting the exchange offer, in compliance with the notes registration rights agreement.

If for any of the reasons specified in the notes registration rights agreement we become obligated to file with the SEC a shelf registration statement covering resales of senior notes by the holders, we will be required to use our commercially reasonable efforts to file the shelf registration statement on or prior to 30 days after such filing obligation arises and to cause the shelf registration statement to be declared effective by the SEC on or prior to 90 days after the obligation arises. A holder of senior notes that sells its senior notes pursuant to the shelf registration statement generally will be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the notes registration rights agreement that are applicable to such holder (including certain indemnification and contribution obligations).

Pursuant to the notes registration rights agreement, we will be required to pay special interest if a registration default exists. A registration default will exist if:

- we fail to file any of the registration statements required by the notes registration rights agreement on or before the date specified for such filing;
- any of such registration statements is not declared effective by the SEC on or prior to the date specified for such effectiveness;
- we fail to consummate the exchange offer within 30 business days of the commencement of the exchange offer with respect to the exchange offer registration statement; or
- the shelf registration statement or the exchange offer registration statement is declared effective but thereafter ceases to be effective or usable in connection with resales of transfer restricted securities during the periods specified in the notes registration rights agreement.

With respect to the first 90-day period immediately following the occurrence of the first registration default, special interest will be paid in an amount equal to 0.25% per annum of the principal amount of transfer restricted securities outstanding. The amount of the special interest will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum amount of special interest for all registration defaults of 1.0% per annum of the principal amount of the transfer restricted securities outstanding. Upon the cure of all registration defaults, the accrual of special interest will cease.

We have agreed to pay all expenses incident to the exchange offer (other than commissions and concessions of any broker-dealer) and to indemnify the holders of the senior notes against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay all expenses incident to our performance of or compliance with the notes registration rights agreement (other than commissions and concessions of any broker-dealer). Generally, the notes registration rights agreement requires that we indemnify holders of the senior notes who resell their senior notes under a registration statement filed by us against certain liabilities, including liabilities arising under the Securities Act. In addition, each holder whose senior notes are included in a registration statement may be required to indemnify us for the resale of their senior notes against certain liabilities related to the information provided by such holder with respect to such registration statement. The notes registration rights agreement also provides for the indemnitors to reimburse the indemnified persons for legal or other expenses reasonably incurred by such persons in connection with investigating or defending claims for which they are entitled to indemnification under the agreement.

The foregoing summary of certain provisions of the notes registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the notes registration rights agreement, which is listed as an exhibit to the registration statement of which this prospectus forms a part. See Where You Can Find More Information.

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DESCRIPTION OF OUR COMMON UNITS

The following description of our common units and provisions of our limited liability company operating agreement are summaries and are qualified by reference to the limited liability company operating agreement, a copy of which has been filed with the SEC as an exhibit to our registration statement of which this prospectus forms a part.

General

Our limited liability company operating agreement, as amended and restated, authorizes one class of limited liability company interests in us, i.e. common units. We are authorized to issue 375,000,000 common units. As of June 30, 2010, MagnaChip Semiconductor LLC had issued and outstanding 307,233,996 common units held by 134 holders of record.

As of August 31, 2010, MagnaChip Semiconductor LLC also had outstanding options to purchase 15,859,000 common units at a weighted average exercise price of $0.79 per unit and warrants to purchase 15,000,000 common units at an exercise price of $1.97 per unit. MagnaChip Semiconductor LLC has reserved an aggregate of 30,000,000 common units for issuance to current and future directors, employees and consultants of MagnaChip Semiconductor LLC and its subsidiaries pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan. Of this amount, at August 31, 2010, 15,859,000 common units were subject to outstanding options, 6,907,000 were available for future issuance and no common units have been purchased in connection with the exercise of previously issued options. MagnaChip Semiconductor LLC issued warrants to purchase an aggregate of 15,000,000 common units pursuant to the reorganization proceedings, which are subject to a warrant agreement dated November 9, 2009 between us and American Stock Transfer & Trust Company, LLC, our warrant agent. At August 31, 2010, 15,000,000 common units were subject to outstanding warrants and no common units had been purchased in connection with the exercise of previously issued warrants.

Voting Rights

The holders of our common units have the general right to vote for all purposes, including the election of our board of directors. Each holder of common units is entitled to one vote for each unit thereof held. To the extent prohibited by Section 1123(a)(6) of the United States Bankruptcy Code, we will not issue non-voting equity securities.

No Additional Capital Contribution

No holder of our common units is required to make any additional capital contributions to us or to restore any deficit in such holder s capital account.

Distributions

Distributions to the holders of our common units of our cash or other assets will be made only at such times and in such amounts as authorized by our board of directors. Distributions, if any, will be made to the holders of our common units in proportion to their percentage interests. Our board of directors will, however, to the extent of available funds, make certain tax distributions to the holders of our common units if the board determines that such distribution does not violate or breach any agreement or obligation of us.

Equity Registration Rights

As of the date hereof, holders of approximately 299,993,948 of our common units will be entitled to certain rights with respect to the registration of their units under the Securities Act.

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Demand Registration Rights. Commencing 90 days following the completion of a firm commitment underwritten public offering of our securities pursuant to an effective registration statement filed by us under the Securities Act resulting in gross proceeds of at least $75.0 million to us, any holder who is a party to the equity registration rights agreement and who holds a minimum of 20% of the common units covered by the equity registration rights agreement, has the right to demand that we file a registration statement covering the resale of its common units, subject to a maximum of four such demands in the aggregate for all holders and to other specified exceptions. After we become eligible for the use of SEC Form S-3, any holder who is a party to the equity registration rights agreement, has the right to demand that we file with the SEC a registration statement under SEC Form S-3 or any similar short-form registration statement covering the common units held by these unitholders to be offered to the public, subject to specified exceptions. At the request of the holders, a demand registration may be a shelf registration pursuant to Rule 415 of the Securities Act. The underwriters of any such offerings will have the right to limit the number of units to be offered except that if a limit is imposed, then only units held by holders who are parties to the equity registration rights agreement will be included in such offering and the number of units to be included in such offering will be allocated pro rata among those same parties. In any event, we will not include any securities of any other person (including us) in any demand registration statement without the prior written consent of the holders of a majority of the common units covered by such demand registration statement.

In no event will we be required to effect more than one demand registration under the equity registration rights agreement within any three-month period (or within a given one-month period, in the case of any registration under Form S-3 or any similar short-form registration statement), and we will not be obligated to effect any demand registration unless the aggregate gross proceeds to be received from the sale of common units equals or exceeds $10.0 million (or $1.0 million, in the case of any registration under Form S-3 or any similar short-form registration statement).

Piggyback Registration Rights. If we register any equity securities for our own account for public sale, unitholders with registration rights will, with specified exceptions, have the right to include their units in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of such units to be included in the registration statement if the inclusion of all common units of the holders who are a party to the equity registration rights agreement proposed to be included in such offering would materially and adversely interfere with the successful marketing of our securities. Priority of inclusion in the registration shall be given first to us, second to unitholders with registration rights, *pro rata* on the basis of the relative number of securities requested to be registered by such unitholder, and third to any other participating person on such basis as we determine.

Expenses of Registration. Other than underwriting fees, discounts, commissions, stock transfer taxes and fees and disbursements of legal counsel to participating holders (excluding the fees of one firm of legal counsel to all of the participating holders participating in an underwritten public offering), we will pay all expenses relating to demand registrations and all expenses relating to piggyback registrations.

Indemnification and Contribution. The equity registration rights agreement contains indemnification and contribution arrangements between us and unitholders who are a party to the equity registration rights agreement with respect to each registration statement.

Listing

Our common units are not listed on any stock exchange.

Transfer Agent and Registrar; Warrant Agent

The transfer agent and registrar for our common units and the warrant agent for our warrants is American Stock Transfer & Trust Company, LLC and its telephone number is (800) 937-5449.

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DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading Certain Definitions. In this description, the word MagnaChip refers only to MagnaChip Semiconductor S.A., a société anonyme organized and existing under the laws of the Grand Duchy of Luxembourg, and not to any of its Subsidiaries. Parent refers to MagnaChip Semiconductor LLC and not to any of its Subsidiaries.

The term Issuers refers collectively to MagnaChip and MagnaChip Semiconductor Finance Company (FinanceCo), which is a wholly owned Subsidiary of MagnaChip. Parent, directly and through its Subsidiary MagnaChip Semiconductor S.A. Holdings LLC, owns all of the equity interests in MagnaChip. MagnaChip, directly and through its Subsidiaries, owns all of our operating businesses, including our primary operating subsidiary, MagnaChip Semiconductor, Ltd. (MagnaChip Korea).

The senior notes were issued under an indenture dated as of April 9, 2010 among the Issuers, the Guarantors and Wilmington Trust FSB, as trustee. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the indenture. It does not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the notes. A copy of the indenture is available as set forth below under Where You Can Find More Information. Certain defined terms used in this description but not defined below under Certain Definitions have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The notes:

- are general unsecured obligations of the Issuers;
- are *pari passu* in right of payment with all existing and future unsecured Indebtedness and other liabilities (including trade payables) of the Issuers;
- are senior in right of payment to any future subordinated Indebtedness of the Issuers (if any); and
- are unconditionally guaranteed by the Guarantors.

However, the notes are effectively subordinated in right of payment to all future secured Indebtedness of the Issuers, to the extent of the value of the collateral securing such Indebtedness. The notes are also effectively subordinated in right of payment to all existing and future Indebtedness and other liabilities (including trade payables) of our Subsidiaries that are not Guarantors. See Risk Factors The notes and the guarantees are effectively subordinated to all borrowing under our future secured credit facilities and to all indebtedness and other liabilities of our non-guarantor subsidiaries.

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The Note Guarantees

The notes are guaranteed by Parent and all of its Restricted Subsidiaries, other than the Issuers, Immaterial Subsidiaries, MagnaChip Korea and the MagnaChip China Subsidiaries.

Each guarantee of the notes:

- is a general unsecured obligation of the Guarantor;
- is *pari passu* in right of payment with all existing and future unsecured Indebtedness and other liabilities (including trade payables) of that Guarantor;
- is senior in right of payment to any future subordinated Indebtedness of that Guarantor (if any); and
- is effectively subordinated in right of payment to all future secured Indebtedness of that Guarantor (if any) to the extent of the value of the collateral securing such Indebtedness.

As of the Issue Date, all of our Subsidiaries are Restricted Subsidiaries. However, under the circumstances described below under the caption Certain Covenants Designation of Restricted and Unrestricted Subsidiaries, we are permitted to designate certain of our Subsidiaries as Unrestricted Subsidiaries. Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the notes.

FinanceCo

FinanceCo is a Delaware corporation and a wholly owned Subsidiary of MagnaChip that exists for the purpose of facilitating the offering of the notes by acting as a co-issuer. FinanceCo is nominally capitalized and will not have any operations or revenues. As a result, prospective purchasers of the notes should not expect FinanceCo to participate in servicing the interest and principal obligations on the notes. See Certain Covenants Restrictions on Activities of FinanceCo.

Principal, Maturity and Interest

The Issuers initially issued $250 million in aggregate principal amount of notes. The Issuers may issue additional notes under the indenture from time to time after the initial notes offering. Any issuance of additional notes is subject to all of the covenants in the indenture, including the covenant described below under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. The notes are, and any additional notes subsequently issued under the indenture will be, treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuers issued notes in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000. The notes will mature on April 15, 2018.

Interest on the notes accrues at the rate of 10.500% per annum and is payable semiannually in arrears on April 15 and October 15, commencing on October 15, 2010. Interest on overdue principal and interest and Special Interest, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the notes. MagnaChip makes each interest payment to the holders of record on the immediately preceding April 1 and October 1.

Interest on the notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a holder of notes has given wire transfer instructions to MagnaChip, MagnaChip will pay all principal of, premium on, if any, interest and Special Interest, if any, on, that holder s notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the paying agent and registrar unless MagnaChip elects to make interest payments by check mailed to the noteholders at their addresses set forth in the register of holders.

Paying Agent and Registrar for the Notes

The trustee has acted as paying agent and registrar. MagnaChip may change the paying agent or registrar without prior notice to the holders of the notes, and the Issuers or any of their Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the provisions of the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. The Issuers will not be required to transfer or exchange any note selected for redemption. Also, the Issuers will not be required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

Additional Amounts

All payments made under or with respect to the notes (whether or not in the form of Certificated Notes) or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, Taxes) unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which either of the Issuers or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of either of the Issuers or any Guarantor (including any successor entity), including, without limitation, the jurisdiction of any paying agent, or in each case any political subdivision thereof or therein (each, a Tax Jurisdiction), will at any time be required to be made from any payments made under or with respect to the notes or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest, Special Interest or premium, the relevant Issuer, the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the Additional Amounts) as may be necessary in order that the net amounts received in respect of such payments (including Additional Amounts) by each holder after such withholding, deduction or imposition will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the holder or the beneficial owner of the notes being a citizen or resident or national of, incorporated in or carrying on a business in the relevant Tax Jurisdiction in which such Taxes are imposed or having any other present or former connection with the relevant Tax Jurisdiction other than the mere acquisition, holding, enforcement or receipt of payment in respect of the notes or with respect to any Note Guarantee;

(2) any Taxes that are imposed or withheld as a result of the failure of the holder of the note or beneficial owner of the note to comply with any reasonable written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be

payable, by either of the Issuers or any of the Guarantors to provide timely and accurate information concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, in each case which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to any exemption from or reduction in all or part of such Taxes to which such holder or beneficial owner is entitled;

(3) any Taxes that are imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficial owner or holder thereof would have been entitled to Additional Amounts had the notes been presented for payment on any date during such 30-day period;

(4) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(5) any Taxes withheld, deducted or imposed on a payment to an individual, which withholding, deduction or imposition is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;

(6) any note presented for payment by or on behalf of a holder of notes who would have been able to avoid such withholding or deduction by presenting the relevant note to another paying agent in a member state of the European Union; or

(7) any combination of items (1) through (6) above.

In addition to the foregoing, the Issuers and the Guarantors will also pay and indemnify each holder of notes for any present or future stamp, issue, registration, court, documentary, excise, property and any other similar Taxes which are levied by any Tax Jurisdiction on the execution, issuance, delivery, registration or enforcement of any of the notes, the indenture, any Note Guarantee, or any other document or instrument referred to therein or the receipt of any payment with respect to the notes, the indenture or any Note Guarantee.

At least 30 calendar days prior to each date on which any payment under or with respect to the notes or a Note Guarantee is due and payable, if either of the Issuers or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the notes or a Note Guarantee is due and payable, in which case it will be promptly thereafter), the relevant Issuer or the relevant Guarantor, as the case may be, will deliver to the trustee an officers certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers certificate must also set forth any other information reasonably necessary to enable the paying agents to pay Additional Amounts to holders on the relevant payment date. The trustee shall be entitled to rely solely on such officers certificate as conclusive proof that such payments are necessary. The relevant Issuer or the relevant Guarantor will provide the trustee with documentation evidencing the payment of Additional Amounts.

The relevant Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The relevant Issuer or the relevant Guarantor will provide to the trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the trustee evidencing the payment of any Taxes so deducted or withheld. The relevant Issuer or the relevant Guarantor will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per $1,000 in principal amount of notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Issuers to the holders of the notes.

Whenever in the indenture or in this Description of Notes there is mentioned, in any context, the payment of amounts based upon the principal amount of the notes or of principal, interest, Special Interest or of any other amount payable under, or with respect to, any note or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Note Guarantees

The notes are guaranteed by Parent and each of Parent s current and future Restricted Subsidiaries, other than the Issuers, Immaterial Subsidiaries, MagnaChip Korea and the MagnaChip China Subsidiaries. These Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See Risk Factors A court could void the guarantees of the notes under fraudulent transfer or similar laws, which could limit your ability to seek repayment from the guarantors.

A Restricted Subsidiary of Parent that is a Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than Parent, an Issuer or a Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under its Note Guarantee, the indenture, and the notes registration rights agreement pursuant to a supplemental indenture satisfactory to the trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture.

The Note Guarantee of any Guarantor other than Parent will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor, by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) Parent or a Restricted Subsidiary of Parent, if the sale or other disposition does not violate the Asset Sale and other provisions of the indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) Parent or a Restricted Subsidiary of Parent, if the sale or other disposition does not violate the Asset Sale and other provisions of the indenture and the Guarantor ceases to be a Restricted Subsidiary of Parent as a result of the sale or other disposition;

(3) if MagnaChip designates any Restricted Subsidiary of Parent that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture; or

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture as provided below under the captions Legal Defeasance and Covenant Defeasance and Satisfaction and Discharge.

See Repurchase at the Option of Holders Asset Sales.

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Optional Redemption

At any time prior to April 15, 2013, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes issued under the indenture, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 110.500% of the principal amount of the notes redeemed, plus accrued and unpaid interest and Special Interest, if any, to the date of redemption (subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of a Qualifying Equity Offering by Parent; *provided* that:

(1) at least 65% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by Parent and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Qualifying Equity Offering.

At any time prior to April 15, 2014, MagnaChip may on any one or more occasions redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Special Interest, if any, to the date of redemption, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraphs and the paragraphs below under the heading Redemption Upon Changes in Withholding Taxes, the notes are not redeemable at MagnaChip s option prior to April 15, 2014.

On or after April 15, 2014, MagnaChip may on any one or more occasions redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Special Interest, if any, on the notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on April 15 of the years indicated below, subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date:

Year	**Percentage**
2014	105.250%
2015	102.625%
2016 and thereafter	100.000%

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

Redemption Upon Changes in Withholding Taxes

MagnaChip may redeem the notes, in whole but not in part, upon not less than 30 nor more than 60 days notice, at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Special Interest, if any, to the date of redemption (a Tax Redemption Date) and all Additional Amounts (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the notes on the relevant record date to receive interest (including Special Interest) due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the notes, MagnaChip is or would be required to pay Additional Amounts, and MagnaChip cannot avoid any such payment obligation taking reasonable measures available, and the requirement arises as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of the relevant Tax Jurisdiction (as defined above) affecting taxation; or

(2) any change in, or amendment to, the existing official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice),

which change or amendment is publicly announced as formally proposed after and becomes effective after the Issue Date (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture). MagnaChip shall not have the right to redeem the notes under this paragraph based on Additional Amounts being due as a result of a merger or consolidation of MagnaChip in which MagnaChip is not the surviving Person in such merger or consolidation.

MagnaChip will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the relevant Issuer would be obligated to make such payment or withholding if a payment in respect of the notes were then due, and at the time such notice is given, the obligation to pay Additional Amounts must remain in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of the notes pursuant to the foregoing, the Issuers will deliver to the trustee a written opinion of independent tax counsel to the effect that there has been a change or amendment that would entitle MagnaChip to redeem the notes under this provision. In addition, before the Issuers publish or mail notice of redemption of the notes as described above, they will deliver to the trustee an officers certificate to the effect that the relevant Issuer cannot avoid its obligation to pay Additional Amounts by the relevant Issuer taking reasonable measures available to it.

The trustee shall rely on such officers certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the note holders.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive will not be a change or amendment for such purposes.

Mandatory Redemption

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the notes.

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Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of notes has the right to require MagnaChip to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that holder s notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, MagnaChip will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest and Special Interest, if any, on the notes repurchased to the date of purchase, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, MagnaChip will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than ten business days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, MagnaChip will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being purchased by MagnaChip.

The paying agent will promptly mail to each holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each such new note will be in a denomination of $2,000 or an integral multiple of $1,000 in excess thereof. MagnaChip will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require MagnaChip to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that MagnaChip repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

MagnaChip will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by MagnaChip and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption Optional Redemption, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Parent and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require MagnaChip to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Parent and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) Parent (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by Parent or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities of Parent or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases Parent or such Restricted Subsidiary from or indemnifies against further liability;

(b) any securities, notes or other obligations received by Parent or any such Restricted Subsidiary from such transferee that are converted by Parent or such Restricted Subsidiary into cash or Cash Equivalents within 60 days of consummation of such Asset Sale, to the extent of the cash and Cash Equivalents received in that conversion;

(c) any Designated Non-cash Consideration received by Parent or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together will all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed 5.0% of Total Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

(d) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, Parent (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to repay (a) Obligations under a Credit Facility that are secured by a Lien permitted by the indenture; or (b) other Indebtedness (other than Subordinated Indebtedness) of Parent or any Restricted Subsidiary that is secured by a Lien permitted by the indenture;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of Parent;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) (4) of this paragraph.

In the case of clauses (2) and (4), Parent will be deemed to have complied with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment.

Pending the final application of any Net Proceeds, Parent (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds $20.0 million, within 30 days thereof, MagnaChip will make an offer (an Asset Sale Offer) to all holders of notes and all holders of other Indebtedness that is *pari passu* with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Special Interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MagnaChip may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and the agent or trustee for such *pari passu* Indebtedness shall select such other *pari passu* Indebtedness to be purchased on a pro rata basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by MagnaChip so that only notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

The agreements governing future Indebtedness of Parent and its Restricted Subsidiaries may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the notes. The exercise by the holders of notes of their right to require MagnaChip to repurchase the notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on Parent and its Restricted Subsidiaries. In the event a Change of Control or an Asset Sale occurs at a time when MagnaChip is prohibited from purchasing notes, Parent could seek the consent of its lenders to the purchase of notes or could attempt to refinance the borrowings that contain such prohibition. If Parent does not obtain a consent or repay those borrowings, MagnaChip will remain prohibited from purchasing notes. In that case, MagnaChip s failure to purchase tendered notes would constitute an Event of Default under the indenture which could, in turn, constitute a default under the other Indebtedness. Finally, MagnaChip s ability to pay cash to the holders of notes upon a repurchase may be limited by MagnaChip s then existing financial resources. See Risk Factors We may not be able to fulfill our repurchase obligations with respect to the notes upon a change of control or an asset sale.

Selection and Notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a *pro rata* basis (or, in the case of notes issued in global form as discussed under Book-Entry, Delivery and Form, based on a method that most nearly approximates a *pro rata* selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements.

No notes of $2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of notes called for redemption.

Certain Covenants

Changes in Covenants When Notes Rated Investment Grade

If on any date following the Issue Date:

(1) the notes are rated Baa3 or better by Moody s and BBB- or better by S&P (or, if either such entity ceases to rate the notes for reasons outside of the control of Parent, the equivalent investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by Parent as a replacement agency); and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this prospectus will be suspended:

(1) Repurchase at the Option of Holders Asset Sales;

(2) Restricted Payments;

(3) Incurrence of Indebtedness and Issuance of Preferred Stock;

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(4) Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;

(5) Designation of Restricted and Unrestricted Subsidiaries;

(6) Transactions with Affiliates;

(7) clause (4) of the covenant described below under the caption Merger, Consolidation or Sale of Assets Parent;

(8) clause (4) of the covenant described below under the caption Merger, Consolidation or Sale of Assets MagnaChip; and

(9) clauses (1)(a) and (3) of the covenant described below under the caption Limitation on Sale and Leaseback Transactions.

During any period that the foregoing covenants have been suspended, Parent s Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption Designation of Restricted and Unrestricted Subsidiaries or the second paragraph of the definition of Unrestricted Subsidiary.

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated Restricted Payments covenant will be made as if the Restricted Payments covenant had been in effect since the date of the indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the notes will achieve an investment grade rating or that any such rating will be maintained.

Restricted Payments

Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Parent s or any of its Restricted Subsidiaries Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Parent or any of its Restricted Subsidiaries) or to the direct or indirect holders of Parent s or any of its Restricted Subsidiaries Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of Parent and other than dividends or distributions payable to Parent or a Restricted Subsidiary of Parent);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Parent) any Equity Interests of Parent or any direct or indirect parent of Parent;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuers or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among Parent and any of its Restricted Subsidiaries) (collectively, Subordinated Debt), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as Restricted Payments), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

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(b) Parent would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption Incurrence of Indebtedness and Issuance of Preferred Stock; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Parent and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2) through (12) of the next succeeding paragraph), is less than the sum, without duplication, of:

(1) 50% of the Consolidated Net Income of Parent for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of Parent s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(2) 100% of the aggregate cash proceeds, including cash and Cash Equivalents, and the Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million), received by Parent since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of Parent or from the issue or sale of convertible or exchangeable Disqualified Stock of Parent or convertible or exchangeable debt securities of Parent, in each case that have been converted into or exchanged for Qualifying Equity Interests of Parent (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities (a) sold to a Subsidiary of Parent or (b) sold in the Initial Public Offering); plus

(3) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold for cash or otherwise cancelled, liquidated or repaid for cash, or (b) made in an entity that subsequently becomes a Restricted Subsidiary of Parent, the initial amount of such Restricted Investment (or, if less, the amount of cash received upon repayment or sale); *plus*

(4) to the extent that any Unrestricted Subsidiary of Parent designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of Parent s Restricted Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date; *plus*

(5) 100% of any dividends received in cash by Parent or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Net Income of Parent for such period;

provided, however, that the aggregate amount of Restricted Payments of the type described in clauses (1) and (2) of the definition of Restricted Payments pursuant to this clause (c) shall not exceed 50% of the aggregate amount of Restricted Payments otherwise permitted by this clause (c).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of Parent) of, Equity Interests of Parent (other than Disqualified Stock or Equity Interests sold in the Initial Public Offering) or from the

substantially concurrent contribution of common equity capital to Parent; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Qualifying Equity Interests for purposes of clause (c)(2) of the preceding paragraph;

(3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a *pro rata* basis;

(4) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of either Issuer or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(5) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of Parent or any Restricted Subsidiary of Parent held by any current or former officer, director or employee of Parent or any of its Restricted Subsidiaries pursuant to any employment agreement, equity subscription agreement, stock option agreement, stockholders agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5.0 million in any twelve-month period plus the amount of cash proceeds from any key man life insurance received during such twelve-month period; *provided*, *further*, that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of Parent to current or former members of management, directors, managers or consultants of Parent or any of its Subsidiaries that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the making of Restricted Payments by virtue of clause (c)(2) of the preceding paragraph;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options, and repurchases of Equity Interests deemed to occur upon the withholding of a portion of the Equity Interests granted or awarded to a current or former officer, director, employee or consultant to pay for the taxes payable by such Person upon such grant or award (or upon vesting thereof);

(7) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of Parent or any preferred stock of any Restricted Subsidiary of Parent issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption Incurrence of Indebtedness and Issuance of Preferred Stock;

(8) payments of cash, dividends, distributions, advances or other Restricted Payments by Parent or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person;

(9) Permitted Tax Payments;

(10) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the notes pursuant to the covenant described under Change of Control above, any purchase or redemption of Subordinated Debt required pursuant to the terms thereof as a result of such Change of Control; *provided*, *however*, that at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom);

(11) any purchase or redemption of Subordinated Debt using any remaining Excess Proceeds of an Asset Sale within 60 days after completion of an Asset Sale Offer; *provided*, *however*, that at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom);

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(12) the application of the proceeds of this offering of notes as described above under the caption Use of Proceeds; and

(13) other Restricted Payments in an aggregate amount not to exceed $25.0 million since the Issue Date; *provided*, *however*, that the aggregate amount of Restricted Payments of the type described in clauses (1) and (2) of the definition of Restricted Payments permitted by this clause (13) shall not exceed $12.5 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of Parent, whose resolution with respect thereto will be delivered to the trustee.

Incurrence of Indebtedness and Issuance of Preferred Stock

Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, incur) any Indebtedness (including Acquired Debt), and Parent will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that Parent may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Issuers and the Guarantors (other than Parent) may incur Indebtedness (including Acquired Debt) or issue preferred stock, if:

(a) the Fixed Charge Coverage Ratio for Parent s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least (a) at any time prior to the completion of the Initial Public Offering, 2.25 to 1.0, and (b) at any time on or after completion of the Initial Public Offering, 2.0 to 1.0, in each case determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; and

(b) in the case of any such Indebtedness that is *Pari Passu* Indebtedness, the sum of the aggregate principal amount of *Pari Passu* Indebtedness incurred pursuant to this paragraph since the Issue Date that is outstanding on the date of such incurrence plus the aggregate principal amount of notes outstanding on the date of such incurrence (in each case, after giving pro forma effect to the incurrence of such *Pari Passu* Indebtedness and application of the net proceeds therefrom) does not exceed (a) at any time prior to the completion of the Initial Public Offering, $350.0 million, or (b) at any time on or after completion of the Initial Public Offering, $500.0 million.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, Permitted Debt):

(1) the incurrence by Parent and any of its Restricted Subsidiaries of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1)(with letters of credit being deemed to have a principal amount equal to the maximum potential liability of Parent and its Restricted Subsidiaries thereunder) not to exceed the greater of (a) $75.0 million or (b) the Borrowing Base as of the date of incurrence;

(2) the incurrence by Parent and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by Issuers and the Guarantors of Indebtedness represented by the notes and the related Note Guarantees to be issued under the indenture and the exchange notes and the related Note Guarantees to be issued pursuant to the notes registration rights agreement;

(4) the incurrence by Parent or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, taxes or cost of design, construction, installation or improvement of property, plant or equipment (including software) used in the business of Parent or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of (a) $25.0 million or (b) 5% of Total Assets as of any date of incurrence;

(5) the incurrence by Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5) or (16) of this paragraph;

(6) the incurrence by Parent or any of its Restricted Subsidiaries of intercompany Indebtedness between or among Parent and any of its Restricted Subsidiaries; *provided*, *however*, that:

(a) if either Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not an Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the notes, in the case of the Issuers, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Parent or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either Parent or a Restricted Subsidiary of Parent,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of Parent s Restricted Subsidiaries to Parent or to any of its Restricted Subsidiaries of shares of preferred stock; *provided*, *however*, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than Parent or a Restricted Subsidiary of Parent; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either Parent or a Restricted Subsidiary of Parent, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by Parent or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(9) the guarantee by the Issuers or any of the Guarantors of Indebtedness of Parent or a Restricted Subsidiary of Parent to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by Parent or any of its Restricted Subsidiaries of Indebtedness in respect of workers compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self-insurance obligations and bankers acceptances in the ordinary course of business;

(11) the incurrence by Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(12) the incurrence of Indebtedness by Parent or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds and similar obligations entered into by Parent or any of its Restricted Subsidiaries in the ordinary course of their business;

(13) Indebtedness of Parent or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or to a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that, by its terms or by operation of law, is subordinated to the notes, is not secured by any of the assets of Parent or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of the notes, in an aggregate principal amount which, when added with the amount of Indebtedness incurred under this clause (13) and then outstanding, does not exceed $5.0 million at any one time outstanding;

(14) the incurrence of Indebtedness by Parent or any of the Restricted Subsidiaries arising from agreements of Parent or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of Parent;

(15) Indebtedness incurred by Parent or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers compensation claims; and

(16) the incurrence by the Issuers or any of the Guarantors of additional Indebtedness or Disqualified Stock in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (16), not to exceed $25.0 million.

Parent will not, and will not permit any Guarantor to, incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuers or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the notes and the applicable Note Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuers or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this Incurrence of Indebtedness and Issuance of Preferred Stock covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, MagnaChip will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount thereof is included in Fixed Charges of Parent as accrued. For purposes of

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determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that Parent or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

Liens

Parent will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness, Attributable Debt or trade payables upon any of its or their property or assets, now owned or hereafter acquired, unless all payments due under the indenture and the notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to Parent or any of its Restricted Subsidiaries;

(2) make loans or advances to Parent or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to Parent or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the indenture, the notes and the Note Guarantees;

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(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the Board of Directors of Parent determines in good faith that the encumbrances and restrictions in the agreements governing such Indebtedness (or any such amendment, restatement, modification, renewal, supplement, refunding, replacement or refinancing) will not materially adversely affect the ability of MagnaChip to make payments on the notes when due;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by Parent or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (4) of the definition of Permitted Debt;

(8) any agreement for the sale or other disposition of a Restricted Subsidiary or all or substantially all of the assets thereof that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption Liens that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of Parent s Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) restrictions under customary provisions in partnership agreements, limited liability company organizational or governance documents, joint venture agreements, corporate charters, stockholders agreements and other similar agreements and documents on the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person.

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Merger, Consolidation or Sale of Assets

PARENT

Parent will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not Parent is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of Parent and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) Parent is the surviving entity; or (b) the Person formed by or surviving any such consolidation or merger (if other than Parent) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the notes is a corporation organized or existing under any such laws;

(2) the Person formed by or surviving any such consolidation or merger (if other than Parent) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of Parent under the notes, its Note Guarantee, the indenture and the notes registration rights agreement pursuant to agreements as required under the terms of the indenture and the notes registration rights agreement;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) Parent or the Person formed by or surviving any such consolidation or merger (if other than Parent), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock.

In addition, Parent will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to any other Person.

This Merger, Consolidation or Sale of Assets covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Parent and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to (1) any merger or consolidation of Parent with or into (A) one of its Restricted Subsidiaries for any purpose or (B) an Affiliate solely for the purpose of reincorporating Parent in another jurisdiction, or (2) the corporate conversion at any time prior to the consummation of the Initial Public Offering.

MAGNACHIP

MagnaChip will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not MagnaChip is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MagnaChip and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) MagnaChip is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of South Korea, Luxembourg, the Netherlands, Bermuda, the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the notes is a corporation organized or existing under any such laws;

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(2) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MagnaChip under the notes, the indenture and the notes registration rights agreement pursuant to agreements necessary under the terms of the indenture and notes registration rights agreement;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) MagnaChip or the Person formed by or surviving any such consolidation or merger (if other than MagnaChip), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock; and

(5) if MagnaChip is not the surviving Person in such consolidation or merger, MagnaChip shall have delivered to the trustee an opinion of counsel from Luxembourg and any other jurisdiction as necessary that no Taxes on income, including capital gains, other than Taxes to the extent that Additional Amounts are required to be paid with respect thereto, will be payable by holders of the notes under the laws of any jurisdiction where the Person formed by or surviving any such consolidation or merger is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and for relevant tax purposes is not deemed to use or hold, the notes in carrying on a business in the jurisdiction where the Person formed by or surviving any such consolidation or merger is or becomes organized, resident or engaged in business for tax purposes.

In addition, MagnaChip will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This Merger, Consolidation or Sale of Assets covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Parent and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of MagnaChip with or into (1) one of its Restricted Subsidiaries for any purpose or (2) an Affiliate solely for the purpose of reincorporating MagnaChip in another jurisdiction.

FINANCECO

FinanceCo may not, directly or indirectly, consolidate or merge with or into (whether or not FinanceCo is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of FinanceCo s properties or assets, in one or more related transactions, to any Person unless:

(1) concurrently therewith, a corporate wholly-owned Restricted Subsidiary of MagnaChip organized and validly existing under the laws of the United States, any state of the United States or the District of Columbia (which may be the successor Person as a result of such transaction) expressly assumes all the obligations of FinanceCo under the under the notes, the indenture and the notes registration rights agreement pursuant to agreements as required under the terms of the indenture and the notes registration rights agreement; and

(2) immediately after such transaction, no Default or Event of Default exists.

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Transactions with Affiliates

Parent will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MagnaChip (each, an Affiliate Transaction) involving aggregate payments or consideration in excess of $2.5 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to Parent or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Parent or such Restricted Subsidiary with an unrelated Person; and

(2) MagnaChip delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of Parent set forth in an officers certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of Parent; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion by (A) a nationally recognized investment banking firm or (B) an accounting or appraisal firm nationally recognized in making determinations of this kind that such Affiliate Transaction is fair, from a financial standpoint, to Parent or the applicable Restricted Subsidiary.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee compensation or benefit plan, officer or director indemnification agreement or any similar arrangement entered into by Parent or any of its Restricted Subsidiaries, and payments made pursuant thereto, in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among Parent and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of Parent) that is an Affiliate of MagnaChip solely because Parent owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of Parent or any of its Restricted Subsidiaries;

(5) the grant of equity incentives or similar rights to employees and directors of Parent or MagnaChip Korea pursuant to plans approved by the Board of Directors of Parent or MagnaChip Korea or a committee thereof comprised solely of independent directors;

(6) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by Parent s Board of Directors or a committee thereof comprised solely of independent directors;

(7) any issuance of Equity Interests (other than Disqualified Stock) of Parent to Affiliates of MagnaChip;

(8) Restricted Payments that do not violate the provisions of the indenture described above under the caption Restricted Payments;

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(9) transactions pursuant to any contract or agreement with Parent or any of the Restricted Subsidiaries in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not more disadvantageous to the holders of the notes in any material respect than the terms contained in such contract or agreement as in effect on the Issue Date;

(10) transactions pursuant to or under the 2009 Registration Rights Agreement, the 2009 Warrant Agreement, the Director Indemnification Agreements and the Credit Agreement as in effect on the Issue Date or any similar agreement or any amendment, modification or replacement of the 2009 Registration Rights Agreement, the 2009 Warrant Agreement, the Director Indemnification Agreements or the Credit Agreement or similar agreement; provided that the terms of such amendment, modification or replacement are not more disadvantageous to the holders of the notes in any material respect than the terms contained in the 2009 Registration Rights Agreement, the 2009 Warrant Agreement, the Director Indemnification Agreements or the Credit Agreement, as the case may be, as in effect on the Issue Date, and the repayment of the obligations outstanding under the Credit Agreement;

(11) the payment of management, consulting and advisory fees and related expenses made pursuant to the Advisory Agreements and the payment of other customary management, consulting and advisory fees and related expenses to the Principals and any of their respective Affiliates in connection with transactions of Parent or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of Parent or such Subsidiary in good faith;

(12) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to Parent or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors of Parent; and

(13) loans or advances to employees in the ordinary course of business not to exceed $5.0 million in the aggregate at any one time outstanding.

Additional Note Guarantees

If Parent or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the Issue Date, then that newly acquired or created Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the trustee within 10 business days of the date on which it was acquired or created; provided that:

(1) any Subsidiary that constitutes an Immaterial Subsidiary need not become a Guarantor until such time as it ceases to be an Immaterial Subsidiary;

(2) in the event Parent or a Restricted Subsidiary forms or otherwise acquires, directly or indirectly, a Restricted Subsidiary organized under the laws of a jurisdiction other than the United States and such jurisdiction prohibits by law, regulation or order such Restricted Subsidiary from becoming a Guarantor, Parent shall use all commercially reasonable efforts (including pursuing required waivers) over a period up to one year, to have such Subsidiary become a Restricted Subsidiary; *provided*, *however*, that Parent shall not be required to use such commercially reasonable efforts with respect to such Restricted Subsidiaries for more than a one-year period or such shorter period as it shall determine in good faith that it has used all commercially reasonable efforts and if Parent or such Restricted Subsidiary is unable during such period to obtain an enforceable Guarantee in such jurisdiction, then such Restricted Subsidiary will not be required to provide a Guarantee of the notes pursuant to the Note Guarantee so long as such Restricted

Subsidiary does not Guarantee any other Indebtedness of Parent and its Restricted Subsidiaries and no Default or Event of Default shall be deemed to exist during the period that Parent uses its commercially reasonable efforts to have such Restricted Subsidiary enter into a Note Guarantee; and

(3) neither MagnaChip Korea nor any of its Subsidiaries nor any of the MagnaChip China Subsidiaries will be required to become a Guarantor under any circumstances.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of Parent may designate any Restricted Subsidiary of Parent (other than the Issuers) to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently operated by MagnaChip Korea be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by Parent and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption Restricted Payments or under one or more clauses of the definition of Permitted Investments, as determined by MagnaChip. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of Parent as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors of Parent giving effect to such designation and an officers certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption Restricted Payments. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of Parent as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption Incurrence of Indebtedness and Issuance of Preferred Stock, MagnaChip will be in default of such covenant. The Board of Directors of Parent may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption Incurrence of Indebtedness and Issuance of Preferred Stock, calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Restrictions on Activities of FinanceCo.

FinanceCo will not hold any material assets, become liable for any material obligations or engage in any significant business activities; provided that FinanceCo may be a co-obligor or guarantor with respect to Indebtedness if MagnaChip is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by MagnaChip, FinanceCo or one or more Guarantors.

Limitation on Sale and Leaseback Transactions

Parent will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that Parent or any Restricted Subsidiary may enter into a sale and leaseback transaction if:

(1) Parent or that Restricted Subsidiary, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the

Fixed Charge Coverage Ratio test in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption Liens;

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of Parent and set forth in an officers certificate delivered to the trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and Parent applies the proceeds of such transaction in compliance with, the covenant described above under the caption Repurchase at the Option of Holders Asset Sales.

Reports

Whether or not required by the rules and regulations of the SEC, so long as any notes are outstanding, Parent will furnish to the holders of notes or cause the trustee to furnish to the holders of notes (or file with the SEC for public availability), not later than 30 days after expiration of the time periods specified in the SEC s rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if Parent were required to file such reports, including a Management s Discussion and Analysis of Financial Condition and Results of Operations; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if Parent were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. In addition, following the consummation of the exchange offer contemplated by the notes registration rights agreement, Parent will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. Parent will at all times comply with § 314(a) of the Trust Indenture Act.

If, at any time after the consummation of the exchange offer contemplated by the notes registration rights agreement, Parent is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, Parent will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. Parent will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept Parent s filings for any reason, Parent will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if Parent were required to file those reports with the SEC.

If Parent has designated any of its Subsidiaries as Unrestricted Subsidiaries, then Parent will disclose in Management s Discussion and Analysis of Financial Condition and Results of Operations, the revenues for the applicable period and assets as of the end of the applicable period attributable to Unrestricted Subsidiaries of Parent.

In addition, the Issuers and the Guarantors agree that, for so long as any notes remain outstanding, if at any time they are not required to file with the SEC the reports required by the preceding paragraphs, they will furnish to the holders of notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

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Notwithstanding the foregoing, Parent will be deemed to have furnished the reports referred to above to the trustee and the holders on the date Parent files such reports with the SEC via the EDGAR filing system (or any successor thereto, including Interactive Data Electronic Applications) and such reports become publicly available.

Events of Default and Remedies

Each of the following is an Event of Default :

(1) default for 30 days in the payment when due of interest and Special Interest, if any, on the notes;

(2) default in the payment when due (at maturity, upon redemption, repurchase or otherwise) of the principal of, or premium, if any, on, the notes;

(3) failure by Parent or any of its Restricted Subsidiaries to comply with the provisions described under the caption Certain Covenants Merger, Consolidation or Sale of Assets;

(4) failure by Parent or any of its Restricted Subsidiaries for 30 days after notice to MagnaChip by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, voting as a single class, to comply with the provisions described under the captions Repurchase at the Option of Holders Change of Control; or Repurchase at the Option of Holders Asset Sales;

(5) failure by Parent or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, voting as a single class, to comply with any of the other agreements in the indenture;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Parent or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by Parent or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to pay principal of, premium on, if any, or interest, if any, on, such Indebtedness in an aggregate amount in excess of $250,000, prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a Payment Default); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(7) failure by Parent or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (excluding amounts covered by insurance provided by a carrier that has acknowledged coverage in writing and has the ability to perform), which judgments are not paid, bonded, discharged, stayed, annulled or rescinded for a period of 60 days;

(8) except as permitted by the indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to Parent, either Issuer or any of the other Restricted Subsidiaries of Parent that is a Significant Subsidiary or any group of its Restricted Subsidiaries of Parent at the same or similar time that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to Parent, either Issuer or any of the other Restricted Subsidiaries of Parent that is a Significant Subsidiary or any group of Restricted Subsidiaries of Parent that, taken together, would constitute a Significant Subsidiary, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes may declare all the notes to be due and payable immediately; *provided* that no such declaration will be permitted with respect to an Event of Default of the type referred to in clause (6) above if the underlying Payment Default has been cured or waived or the underlying acceleration has been waived or rescinded, as the case may be.

Notwithstanding the foregoing, the indenture will provide that, to the extent that the Issuers elect, the sole remedy for an Event of Default relating to the reporting obligations in the indenture, as set forth under Certain Covenants Reports, will, for the 180 days after the occurrence of such Event of Default, consist exclusively of the right to receive additional interest on the notes at a rate equal to 0.50% per annum of the principal amount of the notes. This additional interest will be payable in the same manner and on the same dates as the stated interest payable on the notes. The additional interest will accrue on all outstanding notes from, and including, the date on which an Event of Default relating to a failure to comply with the reporting obligations in the indenture first occurs to, but not including, the 180th day thereafter (or such earlier date on which the Event of Default relating to the reporting obligations shall have been cured or waived). On such 180th day, such additional interest shall cease to accrue and the notes will be subject to acceleration as provided above. If the Issuers do not elect to pay the additional interest during the continuance of such an Event of Default in accordance with this paragraph, the notes will be subject to acceleration as provided above.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium on, if any, interest and Special Interest, if any.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of notes unless such holders have offered to the trustee indemnity or security satisfactory to the trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest or Special Interest, if any, when due, no holder of a note may pursue any remedy with respect to the indenture or the notes unless:

(1) such holder has previously given the trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding notes make a written request to the trustee to pursue the remedy;

(3) such holder or holders offer and, if requested, provide to the trustee security or indemnity reasonably satisfactory to the trustee against any loss, liability or expense;

(4) the trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding notes do not give the trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding notes by written notice to the trustee may, on behalf of the holders of all of the notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, interest or Special Interest, if any, on, the notes.

MagnaChip is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, MagnaChip is required to deliver to the trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator or stockholder of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the notes, the indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

MagnaChip may at any time, at the option of the Board of Directors of MagnaChip evidenced by a resolution set forth in an officers certificate, elect to have all of the obligations of the Issuers discharged with respect to the outstanding notes and all obligations of the Guarantors discharged with respect to their Note Guarantees (Legal Defeasance) except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, premium on, if any, interest or Special Interest, if any, on, such notes when such payments are due from the trust referred to below;

(2) the Issuers obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee under the indenture, and the Issuers and the Guarantors obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, MagnaChip may, at its option and at any time, elect to have the obligations of the Issuers and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture (Covenant Defeasance) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, all Events of Default described under Events of Default and Remedies (except those relating to payments on the notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) MagnaChip must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal

firm or firm of independent public accountants, to pay the principal of, premium on, if any, interest and Special Interest, if any, on, the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and MagnaChip must specify whether the notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, MagnaChip must deliver to the trustee an opinion of counsel confirming that (a) MagnaChip has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain, deduction or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, MagnaChip must deliver to the trustee an opinion of counsel confirming that the holders of the outstanding notes will not recognize income, gain, deduction or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which any of the Issuers or any of the Guarantors is a party or by which any of the Issuers or any of the Guarantors is bound;

(6) MagnaChip must deliver to the trustee an officers certificate stating that the deposit was not made by MagnaChip with the intent of preferring the holders of notes over the other creditors of MagnaChip with the intent of defeating, hindering, delaying or defrauding any creditors of MagnaChip or others; and

(7) MagnaChip must deliver to the trustee an officers certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture or the notes or the Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the then outstanding notes (including, without limitation, additional notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, if any, interest or Special Interest, if any, on, the notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the indenture or the notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding notes (including, without limitation, additional notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

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Without the consent of each holder of notes affected, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter or waive any of the provisions with respect to the redemption of the notes (except those provisions relating to the covenants described above under the caption Repurchase at the Option of Holders);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any note;

(4) waive a Default or Event of Default in the payment of principal of, premium on, if any, interest or Special Interest, if any, on, the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of, premium on, if any, interest or Special Interest, if any, on, the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption Repurchase at the Option of Holders);

(8) release any Guarantor from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture; or

(9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, the Issuers, the Guarantors and the trustee may amend or supplement the indenture, the notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of an Issuer s or a Guarantor s obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of such Issuer s or such Guarantor s assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(6) to conform the text of the indenture, the notes, the Note Guarantees to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the indenture, the notes, the Note Guarantees, which intent may be evidenced by an officers&#