

MAGNACHIP SEMICONDUCTOR Corp
Form 424B3
October 18, 2013
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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-191372**

PROSPECTUS

\$225,000,000

MagnaChip Semiconductor Corporation

Offer to Exchange

All outstanding 6.625% Senior Notes due 2021 originally issued July 18, 2013

For 6.625% Senior Notes due 2021

of

MagnaChip Semiconductor Corporation

This Exchange Offer Will Expire at 5:00 P.M.,

New York City Time, on November 18, 2013

The New Notes

The terms of the notes to be issued, which we refer to as the new notes, are substantially identical to the notes that we issued on July 18, 2013, which we refer to as the old notes, except for terms concerning transfer restrictions relating to the old notes that will not apply to the new notes.

Interest on the new notes will accrue at the rate of 6.625% per year, payable in cash semi-annually in arrears on January 15 and July 15, commencing on January 15, 2014.

Our obligations under the new notes are not guaranteed by any of our subsidiaries, other than any restricted subsidiary that guarantees any other indebtedness of MagnaChip Semiconductor Corporation in the future (if any).

The new notes will be our unsecured senior obligations, will rank equally in right of payment with all of our existing and future unsecured senior debt and will rank senior in right of payment to all of our existing and future subordinated debt. The new notes will not be guaranteed by any of our subsidiaries. The new notes will be effectively subordinated to all of our existing and future secured debt, to the extent of the value of the assets securing such debt, and to all liabilities (including trade payables) of our subsidiaries.

Material Terms of the Exchange Offer

Expires at 5:00 p.m., New York City time, on November 18, 2013, unless extended.

This exchange offer is not subject to any condition other than that it must not violate applicable law or any applicable interpretation of the Staff of the Securities and Exchange Commission.

All old notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of new notes which are registered under the Securities Act of 1933.

Tenders of old notes may be withdrawn at any time before the expiration of the exchange offer.

We will not receive any cash proceeds from the exchange offer.

After the exchange offer has been completed, you will not have any further rights under the registration rights agreement to require us to register any old notes that you do not exchange.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date of the exchange offer and ending on the close of business 90 days after the expiration date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

Please consider carefully the Risk Factors beginning on page 14 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the new notes to be distributed in the exchange offer, nor have any of these organizations determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal

offense.

The date of this prospectus is October 18, 2013.

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MARKET AND INDUSTRY DATA AND FORECASTS

In this prospectus, we rely on and refer to information regarding the semiconductor market from Gartner, Inc., or Gartner. Market data attributed to Gartner is from Semiconductor Forecast Database, Worldwide, 2Q13 Update. 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.

TRADEMARKS

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

REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about MagnaChip Semiconductor Corporation that is not included in or delivered with this prospectus. You may obtain documents that are filed by MagnaChip Semiconductor Corporation with the Securities and Exchange Commission, or SEC, and incorporated by reference in this prospectus without charge by requesting the documents, in writing or by telephone, from the SEC or:

MagnaChip Semiconductor Corporation
c/o MagnaChip Semiconductor, Inc.,

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20400 Stevens Creek Boulevard, Suite 370, Cupertino, CA 95014,

Attn: Executive Vice President, General Counsel and Secretary

Telephone: (408) 625-5999

If you would like to request copies of these documents, to obtain timely delivery, please do so by November 8, 2013, which is five business days before the exchange offer expires. See [Where You Can Find More Information](#).

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FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act that involve risks and uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify these statements 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, and other words and terms of similar meaning in connection with any discussion of the timing or 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 that we discuss under the heading "Risk Factors" in this prospectus and in our most recent Annual Report on Form 10-K and any subsequently filed Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus, as the same may be updated from time to time by our future filings under the Exchange Act.

You should read these risk factors and the other cautionary statements made in this prospectus and the documents incorporated by reference herein as being applicable to all related forward-looking statements wherever they appear in this prospectus and the documents incorporated by reference herein. We cannot assure you that the forward-looking statements in this prospectus will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all.

The forward-looking statements made in this prospectus and the documents incorporated by reference herein relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except to the extent required by applicable securities law.

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PROSPECTUS SUMMARY

This summary highlights information contained or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before exchanging your old notes for new notes. This summary is qualified in its entirety by the more detailed information appearing elsewhere in or incorporated by reference in this prospectus. You should read this entire prospectus carefully, including Risk Factors and the information incorporated by reference in this prospectus.

As used in this prospectus, unless the context otherwise requires, MagnaChip, we, us, our and our company refer collectively to MagnaChip Semiconductor Corporation and its respective subsidiaries on a consolidated basis.

Our Company

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 3,200 registered novel patents and 130 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.

Corporate Information and History

Our principal executive offices are located at: c/o MagnaChip Semiconductor S.A., 74, rue de Merl, L-2146 Luxembourg, Grand Duchy of Luxembourg, 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 or in deciding whether to exchange old notes for new notes.

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

On March 10, 2011, we completed our initial public offering, which we refer to as the MagnaChip Corporation IPO. Prior to the MagnaChip Corporation IPO, our board of directors and the holders of a majority of our outstanding common units converted MagnaChip Semiconductor LLC from a Delaware limited liability company to MagnaChip Semiconductor Corporation, a Delaware corporation. In connection with the corporate conversion, the outstanding common units of MagnaChip Semiconductor LLC were automatically converted into shares of common stock of MagnaChip Semiconductor Corporation, outstanding options to purchase common units of MagnaChip Semiconductor LLC were automatically converted into options to purchase shares of common stock of MagnaChip Semiconductor Corporation and outstanding warrants to purchase common units of MagnaChip Semiconductor LLC were automatically converted into warrants to purchase shares of common stock of MagnaChip Semiconductor Corporation, all at a ratio of one share of common stock for eight common units.

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Organizational Structure

The following chart shows a summary of our organizational structure. MagnaChip Semiconductor Corporation is the issuer of the new notes offered hereby. None of our subsidiaries will guarantee the new notes.

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Summary of the Exchange Offer

On July 18, 2013, we completed the private offering of \$225 million aggregate principal amount of 6.625% Senior Notes due 2021, which we refer to in this prospectus as the old notes. We entered into an exchange and registration rights agreement, which we refer to in this prospectus as the registration rights agreement, with the initial purchasers of the old notes in which we agreed to deliver to you this prospectus and to use commercially reasonable efforts to complete an exchange offer within the time period specified in the registration rights agreement. Below is a summary of the exchange offer. For a more detailed description of the exchange offer, see Exchange offer.

The Exchange Offer

We are offering to exchange our outstanding \$225 million aggregate principal amount of 6.625% senior notes due 2021, which we issued on July 18, 2013 in a private transaction and which we refer to as the old notes, for \$225 million aggregate principal amount of our 6.625% senior notes due 2021 that have been registered under the federal securities laws, which we refer to as the new notes. Except as otherwise indicated or unless the context otherwise requires, the term notes refers collectively to the old notes and new notes. You have the right to exchange your old notes for the new notes with substantially identical terms except that:

the new notes have been registered under the Securities Act of 1933, or the Securities Act, and will not bear any legend restricting their transfer;

the new notes bear a different CUSIP number from the old notes;
and

the new notes will not be subject to the additional interest provisions of the registration rights agreement.

For your old notes to be exchanged, you must properly tender them before the expiration of the exchange offer. All old notes that are validly tendered and not validly withdrawn will be exchanged. We will issue the new notes promptly after the expiration of the exchange offer.

Registration Rights Agreement

We sold the old notes on July 18, 2013 to a limited number of initial purchasers. At that time, we signed a registration rights agreement with the initial purchasers, which requires us to conduct this exchange offer. This exchange offer is generally intended to satisfy our obligations in that regard under the registration rights agreement. After the exchange offer has been completed, you will not have any further rights under the registration rights agreement to require us to register any old notes that

you do not exchange.

If You Fail to Exchange Your Old Notes

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer provided in the old notes and indenture governing those notes. In general, you may not offer or sell your old notes unless they are registered under the federal securities laws or are sold in a transaction

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exempt from or not subject to the registration requirements of the federal securities laws and applicable state securities laws.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on November 18, 2013, unless we decide to extend the expiration date. See The Exchange Offer Expiration Date; Extensions; Amendments.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions that we may waive. The exchange offer is not conditioned upon any minimum amount of old notes being tendered for exchange. See The Exchange Offer Conditions to the Exchange Offer.

We reserve the right, subject to applicable law, at any time and from time to time, but before the expiration of the exchange offer:

to terminate the exchange offer if specified conditions have not been satisfied;

to extend the expiration date of the exchange offer and retain all tendered old notes subject to the right of tendering holders to withdraw their tender of old notes; and

to waive any condition or otherwise amend the terms of the exchange offer in any respect. See The Exchange Offer Expiration Date; Extensions; Amendments.

Procedure for Tendering Old Notes Held in the Form of Book-entry Interests If you wish to tender your old notes for exchange, you must:

complete and sign the enclosed letter of transmittal by following the related instructions; and

send the letter of transmittal, as directed in the instructions, together with any other required documents, to the exchange agent, with the old notes to be tendered.

Brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer.

Please do not send your letter of transmittal or certificates representing your old notes to us. Those documents should be sent only to the exchange agent. Questions regarding how to tender and requests for information should be directed to the exchange agent. See The Exchange Offer Exchange Agent.

Special Procedures for Beneficial Owners If your old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, we urge you to contact that person promptly if you wish to tender your outstanding notes pursuant to the exchange offer. See The Exchange Offer Procedure for Tendering Notes.

Withdrawal Rights You may withdraw the tender of your old notes at any time before the expiration date of the exchange offer by delivering a written notice of

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your withdrawal to the exchange agent. You must also follow the withdrawal procedures as described under the heading "The Exchange Offer - Withdrawal of Tenders."

Certain U.S. Federal Income Tax Considerations

The exchange of old notes for the new notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations."

Resale of New Notes

We believe that you will be able to offer for resale, resell or otherwise transfer new notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the federal securities laws, provided that:

you are acquiring the new notes in the ordinary course of business;

you are not engaged in, and do not intend to engage in, a distribution of the new notes;

you do not have any arrangement or understanding with any person to participate in the distribution of the new notes;

you are not a broker-dealer tendering old notes acquired directly from us for your own account;

you are not one of our affiliates, as defined in Rule 405 of the Securities Act; and

you are not prohibited by law or any policy of the SEC from participating in the exchange offer.

Our belief is based on interpretations by the Staff of the SEC, or the Staff, as set forth in no-action letters issued to third parties unrelated to us. The Staff has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the Staff would make a similar determination with respect to this exchange offer.

If our belief is not accurate and you transfer a new note without delivering a prospectus meeting the requirements of the federal securities

laws or without an exemption from these laws, you may incur liability under the federal securities laws. We do not and will not assume or indemnify you against this liability.

Each broker-dealer that receives new notes for its own account in exchange for old notes that were acquired by such broker-dealer as a result of market-making or other trading activities must agree to deliver a prospectus meeting the requirements of the federal securities laws in connection with any resale of the new notes. See The Exchange Offer Resale of the New Notes.

Exchange Agent

The exchange agent for the exchange offer will be Wilmington Trust, National Association. The address, telephone number and facsimile number of the exchange agent are set forth in The Exchange Offer Exchange Agent and in the letter of transmittal.

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Summary of the Terms of New Notes

The summary below describes the principal terms of the new notes and is not intended to be complete. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the new notes, see Description of Notes.

Issuer	MagnaChip Semiconductor Corporation, a Delaware corporation.
New Notes	\$225 million in aggregate principal amount of our 6.625% senior notes due 2021.
Maturity Date	July 15, 2021
Interest	Interest will be payable in cash in arrears on January 15 and July 15, commencing January 15, 2014. The notes will bear interest at a rate of 6.625%.
Optional Redemption	<p>On or after July 15, 2017, 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.</p> <p>In addition, at any time prior to July 15, 2016, 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 106.625% of the principal amount of the notes to be redeemed plus accrued and unpaid interest and special interest, if any, to the redemption date.</p> <p>Also, at any time prior to July 15, 2017, 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.</p> <p>See Description of Notes Optional Redemption.</p>

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.
Guarantees	The notes will not be guaranteed by any of our subsidiaries, other than any restricted subsidiary that guarantees any other indebtedness of MagnaChip Semiconductor Corporation in the future (if any).
Ranking	The notes will: be our general unsecured obligations;

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will be *pari passu* in right of payment with all of our existing and future unsecured indebtedness and other liabilities (including trade payables);

will be senior in right of payment to all future debt that is expressly subordinated in right of payment to the notes; and

will be 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 subsidiaries.

Covenants

We will issue the notes under an indenture with the Wilmington Trust, National Association, as trustee. The indenture will, among other things, limit our ability to:

pay dividends, redeem stock, make payments with respect to subordinated indebtedness, or make other restricted payments;

incur additional indebtedness or issue preferred stock;

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 will be 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 at any time.

Risk Factors

See [Risk Factors](#) and other information included or incorporated by reference into this prospectus for a discussion of factors you should carefully consider before deciding to exchange any old notes.

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The following tables set forth summary selected historical consolidated financial and other data of MagnaChip Semiconductor Corporation on or as of the dates and for the periods indicated. The summary historical and unaudited consolidated financial data presented below should be read together with Selected Historical Consolidated Financial and Other Data, 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 or incorporated by reference in this prospectus.

We have derived the selected consolidated financial data as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 from the historical audited consolidated financial statements of MagnaChip Semiconductor Corporation, which are incorporated by reference in this prospectus. We derived the unaudited consolidated statement of operations data for the six months ended June 30, 2013 and June 30, 2012, as well as unaudited consolidated balance sheet data as of June 30, 2013, from our unaudited interim consolidated financial statements which are incorporated by reference in this prospectus. We derived the unaudited consolidated financial data as of June 30, 2012 from our unaudited interim consolidated financial statements which are not incorporated by reference in this prospectus. We derived the selected consolidated financial data as of December 31, 2010 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC not incorporated by reference in this prospectus. The historical results of MagnaChip Semiconductor Corporation for any prior period are not necessarily indicative of the results to be expected in any future period.

	Six Months Ended June 30,		Year Ended December 31,		
	2013	2012	2012	2011	2010
(In millions, except per common unit/share data)					
Statements of Operations Data:					
Net sales	\$ 420.6	\$ 379.6	\$ 819.6	\$ 772.8	\$ 770.4
Cost of sales	283.8	266.9	556.1	538.5	526.8
Gross profit	136.8	112.8	263.5	234.3	243.6
Selling, general and administrative expenses	39.5	38.3	79.0	68.4	66.6
Research and development expenses	41.7	39.6	78.7	76.8	83.5
Restructuring and impairment charges	2.4			4.1	2.0
Special expense for IPO incentive				12.1	
Operating income	53.1	34.9	105.8	72.9	91.4
Interest expense, net	(11.7)	(11.2)	(22.6)	(25.0)	(22.9)
Foreign currency gain (loss), net	(43.5)	0.5	56.0	(11.6)	14.7
Loss on early extinguishment of senior notes				(5.5)	
Others	(0.5)	0.8	2.1	(1.0)	(0.7)
	(55.8)	(9.9)	35.5	(43.1)	(8.9)
Income (loss) before income taxes	(2.6)	25.0	141.3	29.8	82.5
Income tax expenses (benefits)	0.3	5.4	(52.0)	8.0	8.4

Net income (loss)	\$ (3.0)	\$ 19.6	\$ 193.3	\$ 21.8	\$ 74.1
Per unit/share data:					
Earnings (loss) per common unit/share					
Basic	\$ (0.08)	\$ 0.53	\$ 5.29	\$ 0.56	\$ 1.96
Diluted	\$ (0.08)	\$ 0.52	\$ 5.16	\$ 0.55	\$ 1.89
Weighted average number of common units/shares					
Basic	35.507	37.119	36.568	38.776	37.836
Diluted	35.507	37.916	37.497	39.775	39.144

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	Six Months Ended June 30,		Year Ended December 31,		
	2013	2012	2012	2011	2010
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 192.6	\$ 155.8	\$ 182.2	\$ 162.1	\$ 172.2
Total assets	808.4	645.7	790.0	602.7	625.7
Total indebtedness ⁽¹⁾	201.8	201.5	201.7	201.4	246.9
Long-term obligations ⁽²⁾	201.8	201.5	201.7	201.4	250.0
Stockholders /Unitholders equity	316.4	170.5	310.3	166.7	162.9
Supplemental Data (unaudited):					
Adjusted EBITDA ⁽³⁾	\$ 74.0	\$ 52.4	\$ 143.5	\$ 142.5	\$ 157.9
Adjusted Net Income ⁽⁴⁾	45.9	24.4	83.5	66.4	89.2

- (1) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings.
- (2) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.
- (3) We define Adjusted EBITDA for the periods indicated as net income (loss), adjusted to exclude (i) depreciation and amortization, (ii) interest expense, net, (iii) income tax expenses (benefits), (iv) restructuring and impairment charges, (v) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vi) equity-based compensation expense, (vii) foreign currency loss (gain), net, (viii) derivative valuation loss (gain), net, (ix) expenses incurred for our secondary offering in February 2013 and May 2012 and tax and dues related to value added tax return revisions, which we refer to as secondary offering and others, (x) one-time incentive payments in connection with the MagnaChip Corporation IPO, and (xi) loss on early extinguishment of existing senior notes. 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;

our investor and analyst presentations 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: