

MAGNACHIP SEMICONDUCTOR LLC

Form S-1/A

May 11, 2010

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**As filed with the Securities and Exchange Commission on May 11, 2010**

**Registration No. 333-165467**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Amendment No. 2 to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**MAGNACHIP SEMICONDUCTOR LLC**  
**(to be converted into MagnaChip Semiconductor Corporation)**  
*(Exact name of Registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**3674**  
*(Primary Standard Industrial  
Classification Code Number)*

**26-1815025**  
*(I.R.S. Employer  
Identification No.)*

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

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**Approximate date of commencement of proposed sale 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:

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 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(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  Smaller reporting company   
(Do not check if a smaller reporting company)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant 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 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary 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 preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Subject to Completion. Dated May 11, 2010**

**MagnaChip Semiconductor Corporation**

Depository Shares

Representing          Shares of Common Stock

This is the initial public offering of common stock of MagnaChip Semiconductor Corporation. MagnaChip Semiconductor Corporation is offering          shares of common stock. The selling stockholders identified in this prospectus are offering          shares of common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

All of the shares of common stock sold in this offering will be sold in the form of depository shares. Each depository share represents an ownership interest in one share of common stock. On          , 2010 (          days after the date of this prospectus), each holder of depository shares will be credited with a number of shares of common stock equal to the number of depository shares held by such holder on that date, and the depository shares will be canceled. Until the cancellation of the depository shares on          , 2010, holders of depository shares will be entitled to all proportional rights and preferences of the shares of common stock.

Prior to this offering, there has been no public market for our depository shares or our common stock. We currently estimate that the initial public offering price per depository share will be between \$          and \$          . We intend to apply for listing of the depository shares and the common stock on the New York Stock Exchange under the symbol          MX with the listing being only for the depository shares upon the completion of this offering and only for the common stock following the cancellation of the depository shares.

*See Risk Factors beginning on page 16 to read about factors you should consider before buying the depository shares and shares of the common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

Per

	depository share	Total
Initial public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses to MagnaChip Semiconductor Corporation	\$	\$
Proceeds, before expenses to Selling Stockholders	\$	\$

To the extent that the underwriters sell more than \_\_\_\_\_ depository shares, the underwriters have the option to purchase up to an additional \_\_\_\_\_ depository shares from us and up to an additional \_\_\_\_\_ depository shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the depository shares against payment in New York, New York on \_\_\_\_\_, 2010.

**Goldman, Sachs & Co.**

**Barclays Capital**

**Deutsche Bank Securities**

**Citi**

**UBS Investment Bank**

Prospectus dated \_\_\_\_\_, 2010

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Mobile Application Television Application Computer Application

MagnaChip Everywhere Analog and Mixed Signal Semiconductors and Manufacturing Services for High-Volume Applications

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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 shares 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.

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 information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this 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, the terms we, us, our and MagnaChip refer to MagnaChip Semiconductor LLC and its consolidated subsidiaries for the periods prior to the consummation of the corporate conversion (as described below), and such terms refer to MagnaChip Semiconductor Corporation and its consolidated subsidiaries for the periods after the consummation of the corporate conversion. The term Korea refers to the Republic of Korea or South Korea. All references to shares of common stock being sold in this offering include shares held in the form of depositary shares, as described under Description of Depositary Shares.*

*Prior to the closing of this offering we will complete a number of transactions pursuant to which MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries and the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation. In this prospectus, we refer to such transactions as the corporate conversion.*

**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, supported by our 30-year operating history, large portfolio of approximately 2,600 novel registered patents and 1,000 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 1,400 and 2,300 distinct products to over 210 and 185 customers for the three months ended March 31, 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. 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.





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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 three months ended March 31, 2010, on a pro forma basis, we generated net sales of \$179.5 million, income from continuing operations of \$27.1 million, Adjusted EBITDA of \$28.7 million and Adjusted Net Income of \$15.0 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 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 48 for an explanation regarding our pro forma presentation and Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data, beginning on page 9 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 42.8% and 58.8% of our net sales for the three months ended March 31, 2010 and March 31, 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 5.0% and 0.9% of our net sales for the three months ended March 31, 2010 and March 31, 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



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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 51.9% and 39.6% of our net sales for the three months ended March 31, 2010 and March 31, 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 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;

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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.

**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 \$238.8 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. As a result of our higher level of indebtedness from our senior notes offering, our quarterly interest expense will increase above that which was reported for the two-month period ended December 31, 2009 and the three months ended March 31, 2010

to approximately \$6.8 million per quarter.

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### **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 16 of this prospectus. You should consider carefully these risks before deciding to invest in our common stock.

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 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;

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; and

Upon completion of this offering, our largest stockholder, consisting of affiliated funds of Avenue Capital Management II, L.P., will control approximately % of our outstanding common stock, assuming no exercise by the underwriters of their option to purchase additional shares.

### **Corporate Information**

Prior to the closing of this offering, 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. See Corporate Conversion for further information regarding the corporate conversion.

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 B-97483, and our telephone number is (352) 45-62-62. Our website address is [www.magnachip.com](http://www.magnachip.com). You should not consider the information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.





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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.

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**The Offering**

Shares offered by us	shares in the form of depositary shares
Shares offered by selling stockholders	shares in the form of depositary shares
Shares offered by us pursuant to the underwriters' option to purchase additional shares	shares in the form of depositary shares(1)
Shares offered by the selling stockholders pursuant to the underwriters' option to purchase additional shares	shares in the form of depositary shares(1)
Shares of common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds received by us in connection with this offering, including any net proceeds received by us in connection with the underwriters' option to purchase additional shares, to make employee incentive payments, to fund working capital and for general corporate purposes. We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders, including upon the sale of shares if the underwriters exercise their option to purchase additional shares from the selling stockholder in this offering.
Risk factors	See Risk Factors beginning on page 16 and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in shares of our common stock.
Dividend policy	We do not anticipate paying any cash dividends on our common stock after this offering.
Depositary shares	All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share represents an ownership interest in one share of common stock. On _____, 2010 (____ days after the date of this prospectus), each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled. Until the cancellation of the depositary shares on _____, 2010, holders of depositary shares will be entitled to all proportional rights and preferences of the shares of common stock. This offering has been structured using depositary shares to enable our unitholders to obtain the preferred income tax treatment for the corporate conversion. For more information regarding the depositary shares, see Description of Depositary Shares.
Depositary	American Stock Transfer & Trust Company, LLC

Proposed New York Stock Exchange  
symbol

MX with the listing being only for the depositary shares upon the  
completion of this offering and only for the common stock following the  
cancellation of the depositary shares.

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- (1) We have provided the underwriters an option to purchase up to \_\_\_\_\_ additional depositary shares and the selling stockholders have provided the underwriters an option to purchase up to \_\_\_\_\_ additional depositary shares. If the underwriters exercise their option to purchase additional shares, we will not receive any of the proceeds from the additional sale of depositary shares by the selling stockholders.

The number of shares of our common stock outstanding after this offering is based on common units of MagnaChip Semiconductor LLC outstanding as of the date of this prospectus and:

reflects the consummation of the corporate conversion, pursuant to which all of the outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of our common stock at a ratio of \_\_\_\_\_ 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 our common stock;

excludes \_\_\_\_\_ shares of our common stock reserved for issuance upon exercise of warrants to purchase common units of MagnaChip Semiconductor LLC outstanding as of \_\_\_\_\_ at a weighted average exercise price of \_\_\_\_\_ per share, assuming the conversion of all such warrants into warrants to purchase shares of our common stock at a ratio of \_\_\_\_\_ ;

excludes \_\_\_\_\_ shares of our common stock reserved for issuance upon exercise of options to purchase common units of MagnaChip Semiconductor LLC outstanding as of \_\_\_\_\_ at a weighted average exercise price of \_\_\_\_\_ per share, assuming the conversion of all such options into options to purchase shares of our common stock at a ratio of \_\_\_\_\_ ; and

excludes \_\_\_\_\_ shares of our common stock reserved as of \_\_\_\_\_ for issuance pursuant to future grants under our 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan, which does not include the additional shares which may become available for issuance pursuant to the automatic share reserve increase provisions of such plans described below.

The number of shares authorized for future issuance under our 2010 Equity Incentive Plan and our 2010 Employee Stock Purchase Plan reflected above does not include additional shares that may become available for future issuance pursuant to the automatic share reserve increase provisions of these plans. On January 1 of each year from 2011 through 2020, up to 2% and 1%, respectively, of the shares of our common stock issued and outstanding on the immediately preceding December 31 or, in each case, a lesser amount determined by our board of directors, will be added automatically to the number of shares remaining available for future grants under the 2010 Equity Incentive Plan and the 2010 Employee Stock Purchase Plan.

Unless specifically stated otherwise, the information in this prospectus:

assumes no exercise of the underwriters' option to purchase up to \_\_\_\_\_ additional depositary shares from us and up to \_\_\_\_\_ additional depositary shares from our selling stockholders; and

assumes an initial public offering price of \$ \_\_\_\_\_ per depositary share, which is the midpoint of the range set forth on the front cover of this prospectus.

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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 (to be converted into MagnaChip Semiconductor Corporation prior to consummation of this offering) 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 three months ended March 31, 2010 and March 29, 2009, as well as unaudited consolidated balance sheet data as of March 31, 2010, from our unaudited interim consolidated financial statements included elsewhere in this prospectus. We derived the unaudited consolidated balance sheet data as of March 29, 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 three months ended March 31, 2010 and the combined twelve-month period ended December 31, 2009 to give pro forma effect to the reorganization proceedings and related events, the corporate conversion 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 and as of March 31, 2010 with respect to balance sheet 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, the corporate conversion 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 balance sheet data or our results of operations for any future period.



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	<b>Pro Forma(1)</b>		<b>Successor</b>		<b>Historical</b>		<b>Predecessor</b>	
	<b>Three Months Ended March 31, 2010</b>	<b>Year Ended December 31, 2009</b>	<b>Three Months Ended March 31, 2010</b>	<b>Two-Month Period Ended December 31, 2009</b>	<b>Ten-Month Period Ended October 25, 2009</b>	<b>Three Months Ended March 29, 2009</b>	<b>Years Ended December 31, 2008 2007</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	
<b>Statements of Operations Data:</b>								
Net sales	\$ 179.5	\$ 560.1	\$ 179.5	\$ 111.1	\$ 449.0	\$ 101.5	\$ 601.7	\$ 709.5
Cost of sales	129.3	378.9	130.1	90.4	311.1	80.6	445.3	578.9
Gross profit	50.2	181.2	49.4	20.7	137.8	20.9	156.4	130.7
Selling, general and administrative expenses	17.9	71.6	17.9	14.5	56.3	15.3	81.3	82.7
Research and development expenses	20.5	77.3	20.5	14.7	56.1	17.0	89.5	90.8
Restructuring and impairment charges	0.3	0.4	0.3		0.4	0.1	13.4	12.1
Operating income (loss) from continuing operations	11.5	31.9	10.6	(8.6)	25.0	(11.4)	(27.7)	(54.9)
Interest expense, net	(6.9)	(28.7)	(2.0)	(1.3)	(31.2)	(14.7)	(76.1)	(60.3)
Foreign currency gain (loss), net	21.6	52.8	21.6	9.3	43.4	(40.2)	(210.4)	(4.7)
Reorganization items, net					804.6			
Others	(0.1)		(0.1)					
	14.7	24.0	19.5	8.1	816.8	(54.9)	(286.5)	(65.0)
Income (loss) from continuing operations before income taxes	26.1	55.9	30.1	(0.5)	841.8	(66.3)	(314.3)	(120.0)
Income tax expenses (benefits)	(1.0)	9.2	(1.0)	1.9	7.3	2.6	11.6	8.8
Income (loss) from continuing operations	27.1	46.6	31.1	(2.5)	834.5	(68.9)	(325.8)	(128.8)
Income (loss) from discontinued operations, net of taxes				0.5	6.6	(0.8)	(91.5)	(51.7)
Net income (loss)			\$ 31.1	\$ (2.0)	\$ 841.1	\$ (69.7)	\$ (417.3)	\$ (180.6)



Dividends accrued on preferred units					6.3	3.4	13.3	12.0
Income (loss) from continuing operations attributable to common units/shares	\$ 46.6	\$ 31.1	\$ (2.5)	\$ 828.2	\$ (72.3)	\$ (339.1)	\$ (140.9)	
Per common unit/share data:								
Earnings (loss) from continuing operations per common unit/share Basic and diluted	\$	\$ 0.10	\$ (0.01)	\$ 15.65	\$ (1.37)	\$ (6.43)	\$ (2.69)	
Weighted average number of common units/shares								
Basic		302.444	300.863	52.923	52.923	52.769	52.297	
Diluted		307.536	300.863	52.923	52.923	52.769	52.297	
<b>Consolidated Balance Sheet Data (at period end):</b>								
Cash and cash equivalents	\$ 129.2	\$ 82.7	\$ 64.9		\$ 7.1	\$ 4.0	\$ 64.3	
Total assets	546.2	492.0	453.3		357.7	399.2	707.9	
Total indebtedness(2)	246.7	61.6	61.8		845.0	845.0	830.0	
Long-term obligations(3)	247.0	61.3	61.5		146.5	143.2	879.4	
Total unitholders /stockholders equity (deficit)	100.5	231.4	215.7		(835.1)	(787.8)	(477.5)	
<b>Supplemental Data (unaudited):</b>								
Adjusted EBITDA(4)	\$ 28.7	\$ 98.7	\$ 28.7	\$ 22.1	\$ 76.6	\$ 2.3	\$ 59.8	\$ 111.2
Adjusted Net Income (Loss)(5)	15.0	33.7	19.9	13.3	9.3	(22.9)	(71.7)	(82.6)

- (1) Gives effect to the reorganization proceedings and related events, the corporate conversion 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.

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- (2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings.
- (3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.
- (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, and (xi) foreign currency 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 after 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.



Foreign currency loss  
(gain), net(h)

Adjusted EBITDA      \$ 28.7    \$ 98.7    \$ 28.7    \$ 22.1    \$ 76.6    \$ 2.3    \$ 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 three months ended March 31, 2010, impairment of two 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 three months ended March 29, 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 three months ended March 29, 2009, a charge of \$3.1 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 expect to incur similar costs in connection with this offering.
- (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

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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.

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 after we are public will include Adjusted Net Income.

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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, and (ix) foreign currency gain (loss).

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

	<b>Pro Forma</b>		<b>Successor</b>		<b>Historical Predecessor</b>			
	<b>Three Months Ended March 31, 2010</b>	<b>Year Ended December 31, 2009</b>	<b>Three Months Ended March 31, 2010</b>	<b>Two-Month Period Ended December 31, 2009</b>	<b>Ten-Month Period Ended October 25, 2009</b>	<b>Three Months Ended March 29, 2009</b>	<b>Years Ended December 31, 2008</b>	<b>December 31, 2007</b>
	(In millions)							
Net income (loss)			\$ 31.1	\$ (2.0)	\$ 841.1	\$ (69.7)	\$ (417.3)	\$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes			0.0	0.5	6.6	(0.8)	(91.5)	(51.7)
Income (loss) from continuing operations	\$ 27.1	\$ 46.6	31.1	(2.5)	834.5	(68.9)	(325.8)	(128.8)
Adjustments:								
Restructuring and impairment charges(a)	0.3	0.4	0.3		0.4	0.1	13.4	12.1
Other restructuring charges(b)		13.3			13.3	3.1	6.2	
Abandoned IPO expenses(c)							3.7	
Subcontractor claim settlement(d)								1.3
Reorganization items, net(e)					(804.6)			
Inventory step-up(f)			0.9	17.2				
Equity based compensation	1.5	2.4	1.5	2.2	0.2	0.1	0.5	0.6

expense(g)									
Amortization of intangibles associated with continuing operations(h)	7.7	23.6	7.7	5.6	8.8	2.4	20.0	27.5	
Foreign currency loss (gain), net(i)	(21.6)	(52.8)	(21.6)	(9.3)	(43.4)	40.2	210.4	4.7	
Adjusted Net income (loss)	\$ 15.0	\$ 33.7	\$ 19.9	\$ 13.3	\$ 9.3	\$ (22.9)	\$ (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 three months ended March 31, 2010, impairment of two 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 three months ended March 29, 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 three months ended March 29, 2009, a charge of \$3.1 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of



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\$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 expect to incur similar costs in connection with this offering.
- (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.

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 before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. As a result, the price of our common stock could decline and you could lose all or part of your investment in our common stock. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.*

**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 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 financial statements will not be comparable in many respects to our 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.

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As we prepare for the completion of this offering, we have identified and taken 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 are also in the process of recruiting a director of financial reporting. Any inability to recruit, train and retain adequate finance personnel with requisite technical and public company experience could have an adverse impact on our ability to accurately and timely prepare our consolidated financial statements. If our finance and accounting organization is unable for any reason to respond adequately to the increased demands that will result from being a public company, the quality and timeliness of our financial reporting may 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 reporting requirements, and could cause investors to lose confidence in our financial reporting. 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.



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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.

***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.

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***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 three months ended March 31, 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 20% and 26% of our net sales and a substantial portion of the net sales generated by our top ten customers for the three months ended March 31, 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

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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.

***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



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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 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 this offering could be adversely affected.

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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 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. These 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. 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 \$12.5 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.

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***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 April 30, 2010, 2,176 employees, or approximately 66.2% 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.

***If our Korean subsidiary is designated as a regulated business under Korean environmental law, 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 we expect that that it will be designated as a regulated business by the end of September 2010. Our Korean subsidiary will then have until December 2011 to reach an agreement with Korean governmental authorities to set reduction targets and draft an implementation plan. 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 complimentary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our common stock, including the shares of common stock sold in this offering. In addition, additional capital may not be available when needed or, if available, may not be available on favorable terms. 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.

***Investor confidence may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and as a result, our stock price could decline.***

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



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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. Beginning with our fiscal year ending December 31, 2011, our independent auditors will be required to 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, 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 common stock.

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.

***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 March 31, 2010, our total indebtedness on a pro forma basis 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

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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.

***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 our 10.500% senior notes due 2018.***

We anticipate that payments under our 10.500% senior notes due 2018 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.

***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 March 31, 2010, we recognized aggregate restructuring and impairment charges of \$64.0 million, which consisted of \$58.4 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.





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***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.

## **Risks Related to Our Common Stock**

***The price of our depositary shares and common stock may be volatile and you may lose all or a part of your investment.***

Prior to this offering, there has not been a public market for our depositary shares or common stock. Even though we anticipate that our shares will be quoted on the New York Stock Exchange, an active trading market for our depositary shares or common stock may not develop following this offering. You may not be able to sell your shares quickly or at the current market price if trading in our depositary shares or common stock is not active. The initial public offering price for the shares will be determined by negotiations between the underwriters, the selling stockholders and us, and may not be indicative of prices that will prevail in the trading market.

In addition, the trading price of our depositary shares and common stock might be subject to wide fluctuations. Factors, some of which are beyond our control, that could affect the trading price of our depositary shares or common stock may include:

actual or anticipated variations in our results of operations from quarter to quarter or year to year;

announcements by us or our competitors of significant agreements, technological innovations or strategic alliances;

changes in recommendations or estimates by any securities analysts who follow our securities;

addition or loss of significant customers;

recruitment or departure of key personnel;

changes in economic performance or market valuations of competing companies in our industry;

price and volume fluctuations in the overall stock market;

market conditions in our industry, end markets and the economy as a whole;

subsequent sales of stock and other financings;

litigation, legislation, regulation or technological developments that adversely affect our business; and

the expiration of contractual lock-up agreements with our executive officers, directors and greater than 1% stockholders.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation often has been instituted against the public company. Regardless of its outcome, this type of litigation could result in substantial costs to us and a likely diversion of our management's attention. You may not receive a positive return on your investment when you sell your shares, and you could lose some or the entire amount of your investment.

**Table of Contents*****Control by principal stockholders could adversely affect our other stockholders.***

Based upon the MagnaChip Semiconductor LLC units outstanding as of April 30, 2010, our executive officers, directors and greater than 5% unitholders collectively beneficially owned approximately 86% of the common units of MagnaChip Semiconductor LLC, excluding units issuable upon exercise of outstanding options and warrants, and 86% of the common units, including units issuable upon exercise of outstanding options and warrants that are exercisable within sixty days of April 30, 2010. After giving effect to the corporate conversion and the sale of shares in this offering, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock as of April 30, 2010, assuming no exercise of the underwriters' option to purchase additional shares from us or the selling stockholders. On the same adjusted basis, and assuming exercise of the underwriters' option to purchase an additional shares from us and shares from the selling stockholders, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock as of April 30, 2010. In addition, Avenue has three designees serving as members of our seven-member board of directors. Therefore, Avenue will continue to have significant influence over our affairs for the foreseeable future, including influence over the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets.

Our concentration of ownership will limit the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our non-sponsor stockholders do not view as beneficial. For example, our concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock.

Under our certificate of incorporation, our non-employee directors and non-employee holders of five percent or more of our outstanding common stock do not have a duty to refrain from engaging in a corporate opportunity in the same or similar activities or lines of business as those engaged in by us, our subsidiaries and other related parties. Also, we have renounced any interest or expectancy in such business opportunities even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted an opportunity to do so.

***The future sale of significant amounts of our common stock may negatively affect our stock price, even if our business is doing well.***

Sales of substantial amounts of shares of our common stock in the public market, or the prospect of such sales, could adversely affect the market price of our common stock. After giving effect to the corporate conversion and the sale of shares in this offering, we would have had shares of common stock outstanding as of April 30, 2010, based on the number of MagnaChip Semiconductor LLC units outstanding as of that date. More than % of the shares outstanding prior to this offering are subject to lock-up agreements under which the holders of such shares have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co., and Barclays Capital Inc., other than any shares such holders may sell to the underwriters in this offering after the date of this prospectus pursuant to the underwriters' option to purchase up to additional shares of our common stock from us and shares from the selling stockholders; provided, that these agreements do not restrict the ability of the stockholders party to the registration rights agreement to cause a resale registration statement to be filed in accordance with the demand registration rights described under Description of Capital Stock Registration Rights. After the 180-day period, based upon the MagnaChip Semiconductor LLC units outstanding as of April 30, 2010, and the assumed exchange rate of MagnaChip Semiconductor LLC units for MagnaChip Semiconductor Corporation shares, shares held by current unitholders will be eligible for sale from time to time in the future under Rule 144, Rule 701 or Section 4(1) of the Securities Act with respect to shares covered by Section 1145 of the U.S. Bankruptcy Code.



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Goldman, Sachs & Co. and Barclays Capital Inc. can together waive the restrictions of the lock-up agreements at an earlier time without prior notice or announcement and allow stockholders to sell their shares. As restrictions on resale end, the market price of our common stock could drop significantly if the holders of the restricted shares sell such restricted shares or are perceived by the market as intending to sell such restricted shares.

***Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock.***

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Among other things, our certificate of incorporation and bylaws:

authorize our board of directors to issue, without stockholder approval, preferred stock with such terms as the board of directors may determine;

divide our board of directors into three classes so that only approximately one-third of the total number of directors is elected each year;

permit directors to be removed only for cause by a majority vote;

prohibit action by written consent of our stockholders;

prohibit any person other than our board of directors, the chairman of our board of directors, our Chief Executive Officer or holders of at least 25% of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors to call a special meeting of our stockholders; and

specify advance notice requirements for stockholder proposals and director nominations.

In addition, following this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, regulating corporate takeovers and which has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

the transaction is approved by the board of directors before the date the interested stockholder attained that status;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or after such date, the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a business combination to include the following:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

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In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any such entity or person.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision.

***We may apply the proceeds of this offering to uses that do not improve our operating results or increase the value of your investment.***

We intend to use the net proceeds from this offering to pay certain employee incentive payments payable upon the closing of this offering, to pay certain expenses of this offering, and for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in companies and technologies that we believe will complement our business although we have no specific plans at this time to do so. However, we will have broad discretion in how we use the net proceeds of this offering. These proceeds could be applied in ways that do not improve our operating results or increase the value of your investment. Until the net proceeds are used, they may be placed in investments that do not produce income or that lose value.

***You will incur immediate and substantial dilution and may experience further dilution immediately upon the sale of our common stock in this offering.***

The initial public offering price of our common stock is substantially higher than \$ , the net tangible book value per share of our common stock as of March 31, 2010, calculated on a pro forma basis as adjusted for the \$130.7 million distribution made to our unitholders in April 2010 and the sale of shares in this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of \$ in net tangible book value per share from the price you paid, based on the assumed initial offering price of \$ per share. The exercise of outstanding options and warrants to purchase shares of our common stock at a weighted average exercise price of \$ and \$ per share, respectively (assuming a conversion ratio of between the common units of MagnaChip Semiconductor LLC and our shares of common stock), will result in further dilution.

***We will incur increased costs as a result of being a publicly listed company, and these additional costs could harm our business and results of operations.***

The Sarbanes-Oxley Act, as well as rules promulgated by the SEC and the NYSE, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations will increase our legal and financial compliance costs and make certain compliance and reporting activities more time-consuming. We also expect it to be more difficult and more expensive for us to obtain and maintain director and officer liability insurance, which may cause us to accept reduced policy limits and reduced coverage or to incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur, but these additional costs and demands on management time and attention may harm our business and results of operations.

***We do not intend to pay dividends for the foreseeable future after this offering, and therefore, investors should rely on sales of their common stock as the only way to realize any future gains on their investments.***

We do not intend to pay any cash dividends in the foreseeable future after this offering. The payment of cash dividends on common stock is restricted under the terms of the indenture for our senior notes. We anticipate that we will retain all of our future earnings after this offering for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.



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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, 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 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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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the common stock that we are offering will be approximately \$ million, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us (assuming an initial public offering price of \$ per share, the midpoint of the range set forth on the cover page of this prospectus). We will not receive any of the proceeds from the sale of our common stock by the selling stockholders.

We intend to use the net proceeds to us from this offering as follows:

approximately \$12 million to fund discretionary incentive payments to all of our employees, excluding our executive officers; and

approximately \$ million to fund working capital and for general corporate purposes.

Pending such uses, we intend to invest the net proceeds of this offering in short-term, investment-grade, interest-bearing securities.

If we raise more or fewer proceeds from this offering than anticipated, including any additional proceeds raised as a result of the exercise of the underwriters' option to purchase additional depository shares, we expect to increase or reduce the amount that we use to fund working capital and for general corporate purposes by a commensurate amount.

**DIVIDEND POLICY**

We do not intend to pay any cash dividends on our common stock in the foreseeable future after this offering. We anticipate that we will retain all of our future earnings after this offering for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. The payment of cash dividends on our common stock 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.

**CORPORATE CONVERSION**

In connection with this offering, our board of directors and the holders of a majority of our outstanding common units will elect to convert MagnaChip Semiconductor LLC from a Delaware limited liability company to a Delaware corporation. In order to consummate such a conversion, a certificate of conversion will be filed with the Secretary of State of the State of Delaware prior to the closing of this offering. In connection with the corporate conversion, outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of common stock of MagnaChip Semiconductor Corporation, outstanding options to purchase common units of MagnaChip Semiconductor LLC will be 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 will be automatically converted into warrants to purchase shares of common stock of MagnaChip Semiconductor Corporation, all at a ratio of .



**Table of Contents****CAPITALIZATION**

The following table sets forth the following information:

the actual capitalization of MagnaChip Semiconductor LLC as of March 31, 2010; and

our pro forma capitalization as of March 31, 2010 after giving effect to (i) the issuance of \$250 million senior notes and (ii) the corporate conversion, as adjusted for the sale of shares of our common stock in this offering at an initial public offering price of \$ per share (the midpoint of the range set forth on the front cover of this prospectus), after the deduction of the underwriting discounts and commissions and the estimated offering expenses payable by us, and the application of the related proceeds as described under Use of Proceeds.

This table should be read together with Use of Proceeds, 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.

	<b>As of March 31, 2010</b>	
	<b>(in millions)</b>	
	<b>Actual</b>	<b>Pro Forma as Adjusted</b>
Indebtedness (including current maturities)		
Senior secured credit facility	\$ 61.6	\$
10.500% senior notes due 2018(1)		246.7
Stockholders' equity:		
Common units, no par value; 375,000,000 units authorized, 307,233,996 issued and outstanding, actual; and no units issued and outstanding, pro forma as adjusted	55.5	
Preferred stock, \$0.01 par value, no shares authorized, issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma as adjusted.		
Common stock, par value \$0.01 per share; shares authorized, no shares issued and outstanding, actual; and shares issued and outstanding, pro forma as adjusted		
Additional paid-in capital	169.3	(2)
Retained earnings	29.1	
Accumulated other comprehensive loss	(22.4)	
Total unitholders / stockholders' equity	231.4	
Total capitalization	\$ 293.0	

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

(2)

Reflects a \$130.7 million distribution to unitholders using a portion of the proceeds from the issuance of our \$250 million in aggregate principal amount senior notes and the corporate conversion.

- (3) A \$1.00 decrease or increase in the assumed initial public offering price would result in approximately a \$ million decrease or increase in each of pro forma as adjusted additional paid-in capital, total stockholders equity and total capitalization, assuming the total number of shares offered by us remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

**Table of Contents****DILUTION**

Our net tangible book value as of March 31, 2010, on a pro forma basis, was approximately \$ million, or \$ per share of our common stock. Pro forma net tangible book value per share represents our total tangible assets reduced by our total liabilities and divided by the number of shares of common stock outstanding after giving effect to the corporate conversion. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering.

After giving effect to the \$130.7 million distribution to our unitholders in April 2010 and the receipt of the estimated net proceeds from the sale by us of shares, our net tangible book value at March 31, 2010 on a pro forma basis would have been \$ , or \$ per share of common stock. This represents an immediate increase in pro forma net tangible book value per share of \$ to existing stockholders and an immediate decrease in pro forma net tangible book value per share of \$ to you. The following table illustrates the dilution.

Assumed initial public offering price per share		\$
Net tangible book value per share as of March 31, 2010	\$	
Decrease in pro forma net tangible book value per share attributable to the \$130.7 million distribution to unitholders		
Increase in pro forma net tangible book value per share attributable to new investors	\$	
Pro forma net tangible book value per share after giving effect to the \$130.7 million distribution to our unitholders and this offering		
Dilution per share to new investors		\$

A \$1.00 increase or decrease in the assumed initial public offering price of \$ per share would increase or decrease the pro forma net tangible book value per share after giving effect to this offering by \$ per share and would increase or decrease the dilution in pro forma net tangible book value per share to investors in this offering by \$ per share. This calculation assumes that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and reflects the deduction of the underwriting discounts and commissions and estimated expenses of this offering.

If the underwriters exercise their option to purchase additional shares of our common stock from us in full in this offering, the pro forma net tangible book value per share after the offering would be \$ per share, the increase in pro forma net tangible book value per share to existing stockholders would be \$ per share and the dilution to new investors purchasing shares in this offering would be \$ per share.

The following table sets forth, as of March 31, 2010, on the pro forma basis as adjusted to give effect to the \$130.7 million distribution to our unitholders in April 2010 and this offering, the differences between the amounts paid or to be paid by the groups set forth in the table with respect to the aggregate number of shares of our common stock acquired or to be acquired by each group.

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	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
(In millions, except share and % data)					
Existing stockholders		%	\$		% \$
New investors(1)					
Total		%	\$		% \$

(1) Before deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares from us and the selling stockholders is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to , or % of the aggregate number of shares of common stock outstanding after this offering. The total consideration paid by our existing stockholders would be \$ , or %, and the total consideration paid by our new investors would be \$ , or % and the average price per share paid by our existing stockholders and new investors would be \$ and \$ , respectively.

To the extent that any outstanding options and warrants to purchase shares of our common stock are exercised, investors in this offering will experience further dilution. The table below sets forth the matters described with respect to the table above and assumes the exercise of all options and warrants outstanding or exercisable as of March 31, 2010. Assuming such exercise, the total number of shares purchased would be increased as a result of the additional shares underlying the options and warrants being issued. Therefore the percentage of shares purchased by the existing stockholders and new investors relative to all three groups would be decreased. Similarly, as a result of the option and warrant exercises, the total consideration to be received by us would be increased because of the additional cash received by us from option and warrant exercises. Such increase in total consideration would have the effect of decreasing the percentage of total consideration paid by the existing stockholders and new investors relative to all three groups. The average price per share for the existing stockholders and new investors would remain unchanged.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
(In millions, except share and % data)					
Existing stockholders		%	\$		% \$
New investors(1)					
Option and warrant holders(2)					
Total		%	\$		% \$

(1) Before deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

(2)

Includes shares of common stock issuable upon exercise of options previously granted to our officers, directors and employees and warrants issued in connection with our reorganization proceedings.



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If the underwriters' option to purchase additional shares from us and the selling stockholders is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to \_\_\_\_\_, or \_\_\_\_\_% of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to \_\_\_\_\_, or \_\_\_\_\_% of the aggregate number of shares of common stock outstanding after this offering. The total consideration paid by our existing stockholders would be \$ \_\_\_\_\_, or \_\_\_\_\_%, and the total consideration paid by our new investors would be \$ \_\_\_\_\_, or \_\_\_\_\_% and the average price per share paid by our existing stockholders and new investors would be \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively.

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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 (to be converted into MagnaChip Semiconductor Corporation in connection with this offering) 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 three months ended March 31, 2010 and March 29, 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 March 31, 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 March 29, 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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	<b>Successor(1)</b>				<b>Predecessor</b>			
	<b>Three Months Ended March 31, 2010 (Unaudited)</b>	<b>Two- Month Period Ended December 31, 2009 (Audited)</b>	<b>Ten- Month Period Ended October 25, 2009</b>	<b>Three Months Ended March 29, 2009 (Unaudited)</b>	<b>2008</b>	<b>Years Ended December 31, 2007      2006 (Audited)</b>		<b>2005</b>
<b>(In millions, except per common unit data)</b>								
<b>Statements of Operations Data:</b>								
Net sales	\$ 179.5	\$ 111.1	\$ 449.0	\$ 101.5	\$ 601.7	\$ 709.5	\$ 683.9	\$ 774.3
Cost of sales	130.1	90.4	311.1	80.6	445.3	578.9	580.4	591.1
Gross profit	49.4	20.7	137.8	20.9	156.4	130.7	103.4	183.2
Selling, general and administrative expenses	17.9	14.5	56.3	15.3	81.3	82.7	76.1	119.4
Research and development expenses	20.5	14.7	56.1	17.0	89.5	90.8	87.2	96.1
Restructuring and impairment charges	0.3		0.4	0.1	13.4	12.1	1.7	36.1
Operating income (loss) from continuing operations	10.6	(8.6)	25.0	(11.4)	(27.7)	(54.9)	(61.6)	(68.4)
Interest expense, net	(2.0)	(1.3)	(31.2)	(14.7)	(76.1)	(60.3)	(57.2)	(57.2)
Foreign currency gain (loss), net	21.6	9.3	43.4	(40.2)	(210.4)	(4.7)	50.9	16.5
Reorganization items, net			804.6					
Others	(0.1)							
	19.5	8.1	816.8	(54.9)	(286.5)	(65.0)	(6.3)	(40.7)
Income (loss) from continuing operations before income taxes	30.1	(0.5)	841.8	(66.3)	(314.3)	(120.0)	(67.9)	(109.1)
Income tax expenses (benefits)	(1.0)	1.9	7.3	2.6	11.6	8.8	9.1	2.0
Income (loss) from continuing operations	31.1	(2.5)	834.5	(68.9)	(325.8)	(128.8)	(76.9)	(111.1)
Income (loss) from discontinued operations, net of taxes		0.5	6.6	(0.8)	(91.5)	(51.7)	(152.4)	10.2
Net income (loss)	\$ 31.1	\$ (2.0)	\$ 841.1	\$ (69.7)	\$ (417.3)	\$ (180.6)	\$ (229.3)	\$ (100.9)
			6.3	3.4	13.3	12.0	10.9	9.9

Dividends accrued on preferred units

Income (loss) from continuing operations attributable to common units

\$	31.1	\$	(2.5)	\$	828.2	\$	(72.3)	\$	(339.1)	\$	(140.9)	\$	(87.9)	\$	(121.1)
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Net income (loss) attributable to common units

\$	31.1	\$	(2.0)	\$	834.8	\$	(73.1)	\$	(430.6)	\$	(192.6)	\$	(240.2)	\$	(110.8)
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Per unit data:

Earnings (loss) from continuing operations per common unit Basic and diluted

\$	0.10	\$	(0.01)	\$	15.65	\$	(1.37)	\$	(6.43)	\$	(2.69)	\$	(1.66)	\$	(2.29)
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Earnings (loss) from discontinued operations per common unit Basic and diluted

\$		\$		\$	0.12	\$	(0.01)	\$	(1.73)	\$	(0.99)	\$	(2.88)	\$	0.19
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Earnings (loss) per common unit Basic and diluted

\$	0.10	\$	(0.01)	\$	15.77	\$	(1.38)	\$	(8.16)	\$	(3.68)	\$	(4.54)	\$	(2.10)
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Weighted average number of common units Basic

302.444	300.863	52.923	52.923	52.769	52.297	52.912	52.898
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Weighted average number of common units Diluted

307.536	300.863	52.923	52.923	52.769	52.297	52.912	52.898
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**Balance Sheet Data (at period end):**

Cash and cash equivalents	\$	82.7	\$	64.9	\$	7.1	\$	4.0	\$	64.3	\$	89.2	\$	86.6
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Total assets	492.0	453.3	357.7	399.2	707.9	770.1	1,040.6
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Total indebtedness(2)	61.6	61.8	845.0	845.0	830.0	750.0	750.0
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Long-term obligations(3)	61.3	61.5	146.5	143.2	879.4	867.4	856.7
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Unitholders equity	231.4	215.7	(835.1)	(787.8)	(477.5)	(284.5)	(46.5)
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**Supplemental Data**

**(unaudited):**

Adjusted EBITDA(4)	\$	28.7	\$	22.1	\$	76.6	\$	2.3	\$	59.8	\$	111.2
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Adjusted Net Income (Loss)(5)	19.9	13.3	9.3	(22.9)	(71.7)	(82.6)
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(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

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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.
- (3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.
- (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 and (xi) foreign currency 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 after 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:

	Successor		Historical	Predecessor		
	Three Months Ended March 31, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Three Months Ended March 29, 2009	Years Ended December 31, 2008	2007
	(In millions)					
Net income (loss)	\$ 31.1	\$ (2.0)	\$ 841.1	\$ (69.7)	\$ (417.3)	\$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(0.8)	(91.5)	(51.7)
Income (loss) from continuing operations	31.1	(2.5)	834.5	(68.9)	(325.8)	(128.8)
Adjustments:						
Depreciation and amortization associated with continuing operations	15.5	11.2	37.7	10.4	63.8	152.2
Interest expense, net	2.0	1.3	31.2	14.7	76.1	60.3
Income tax expenses (benefits)	(1.0)	1.9	7.3	2.6	11.6	8.8
Restructuring and impairment charges(a)	0.3		0.4	0.1	13.4	12.1
Other restructuring charges(b)			13.3	3.1	6.2	
Abandoned IPO expenses(c)					3.7	
Subcontractor claim settlement(d)						1.3
Reorganization items, net(e)			(804.6)			
Inventory step-up(f)	0.9	17.2				
Equity based compensation expense(g)	1.5	2.2	0.2	0.1	0.5	0.6
Foreign currency loss (gain), net(h)	(21.6)	(9.3)	(43.4)	40.2	210.4	4.7
Adjusted EBITDA	\$ 28.7	\$ 22.1	\$ 76.6	\$ 2.3	\$ 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 three months ended March 31, 2010, impairment of two 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 three months ended March 29, 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.

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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 three months ended March 29, 2009, a charge of \$3.1 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 expect to incur similar costs in connection with this offering.
- (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 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.





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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 after 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 and (ix) foreign currency gain (loss).

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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		Historical		Predecessor		
	Three Months Ended March 31, 2010	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Three Months Ended March 29, 2009	Years Ended December 31, 2008 2007		
	(In millions)						
Net income (loss)	\$ 31.1	\$ (2.0)	\$ 841.1	\$ (69.7)	\$ (417.3)	\$ (180.6)	
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(0.8)	(91.5)	(51.7)	
Income (loss) from continuing operations	31.1	(2.5)	834.5	(68.9)	(325.8)	(128.8)	
Adjustments:							
Restructuring and impairment charges(a)	0.3		0.4	0.1	13.4	12.1	
Other restructuring charges(b)			13.3	3.1	6.2		
Abandoned IPO expenses(c)					3.7		
Subcontractor claim settlement(d)						1.3	
Reorganization items, net(e)			(804.6)				
Inventory step-up(f)	0.9	17.2					
Equity based compensation expense(g)	1.5	2.2	0.2	0.1	0.5	0.6	
Amortization of intangibles associated with continuing operations(h)	7.7	5.6	8.8	2.4	20.0	27.5	
Foreign currency loss (gain), net(i)	(21.6)	(9.3)	(43.4)	40.2	210.4	4.7	
Adjusted Net Income (Loss)	\$ 19.9	\$ 13.3	\$ 9.3	\$ (22.9)	\$ (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 three months ended March 31, 2010, impairment of two 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 three months ended March 29, 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 three months ended March 29, 2009, a charge of \$3.1 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 expect to incur costs in connection with this offering.

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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.

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 as of and for the three months ended March 31, 2010 and in accordance with Article 11 of Regulation S-X.

The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 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;

the corporate conversion; 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.

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2010 is derived from the historical consolidated balance sheet of MagnaChip Semiconductor LLC and gives pro forma effect to the following as if it occurred on March 31, 2010.

the corporate conversion; and

the issuance of \$250 million senior notes by MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, 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 balance sheet as of March 31, 2010 and consolidated statements of operations for the combined twelve-month period ended December 31, 2009 and the three months ended March 31, 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.



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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:

	<b>Successor October 25, 2009</b>
<b>Assets:</b>	
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
<b>Total Assets</b>	<b>485.5</b>
<b>Liabilities:</b>	
Current portion long term debt	0.5
Other current liabilities	123.9
Long-term debt	61.3
Other non-current liabilities	81.5
<b>Total liabilities</b>	<b>267.2</b>
<b>Net Assets acquired</b>	<b>\$ 218.4</b>

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

<b>Intangible Assets</b>	<b>Fair Value</b>	<b>Estimated Useful lives</b>
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	
<b>Total Intangible Assets</b>	<b>\$ 55.2</b>	

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The adjustments made for the reorganization proceedings in the unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 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.

**The Corporate Conversion**

Prior to the closing of this offering, MagnaChip Semiconductor LLC will convert from a Delaware limited liability company to a Delaware corporation. The corporate conversion adjustments in the unaudited pro forma consolidated financial information for the three months ended March 31, 2010 and the combined twelve-month period ended December 31, 2009 assume (a) the consummation of the corporate conversion of MagnaChip Semiconductor LLC and the effectiveness of our certificate of incorporation, which is expected to occur prior to the closing of this offering and (b) the automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of . No U.S. federal taxable income or taxable gain is expected to be recognized by MagnaChip Semiconductor Corporation as a result of our conversion from a limited liability company to a corporation.

**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 notes offering were \$238.8 million which represents \$250 million of principal amount net of \$3.3 million of original issue discount and \$7.9 million of debt issuance costs, including professional fees. Of the \$238.8 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.

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	<b>Historical Three Months Ended March 31, 2010 (In millions, except per common unit/share data)</b>	<b>Unaudited Adjustments</b>	<b>Pro Forma Three Months Ended March 31, 2010</b>
<b>Condensed Pro Forma Statement of Operations:</b>			
Net sales	\$ 179.5	\$	\$ 179.5
Cost of sales	130.1	(0.9)(1)	129.3
Gross profit	49.4		50.2
Selling, general and administrative expenses	17.9		17.9
Research and development expenses	20.5		20.5
Restructuring and impairment charges	0.3		0.3
Operating income from continuing operations	10.6		11.5
Interest expense, net	(2.0)	(4.8)(2)	(6.9)
Foreign currency gain, net	21.6		21.6
Others	(0.1)		(0.1)
	19.5		14.7
Income from continuing operations before income taxes	30.1		26.1
Income tax benefits	(1.0)	(3)	(1.0)
Income from continuing operations	\$ 31.1		\$ 27.1
Per common unit/share data:(4)			
Earnings from continuing operations per common unit/share Basic and diluted	\$ 0.10		\$
Weighted average number of common units/shares Basic	302.444		
Weighted average number of common units/shares Diluted	307.536		

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	<b>Historical</b>	<b>Unaudited</b>	<b>Pro Forma</b>
	<b>As of</b>		<b>As of</b>
	<b>March 31,</b>	<b>Adjustments</b>	<b>March 31,</b>
	<b>2010</b>		<b>2010</b>
	<b>(In millions, except common unit/share data)</b>		
<b>Condensed Pro Forma Balance Sheet:</b>			
Assets			
Current assets			
Cash and cash equivalents	\$ 82.7	\$ 46.5(5)	\$ 129.2
Accounts receivables, net	104.5		104.5
Inventories, net	58.2		58.2
Other	25.3		25.3
Total current assets	270.7		317.3
Property, plant and equipment, net	154.7		154.7
Intangible assets, net	43.5		43.5
Other non-current assets	23.1	7.6(6)	30.7
Total assets	\$ 492.0		\$ 546.2
Liabilities and Unitholders /Stockholders Equity			
Current liabilities			
Accounts payable	\$ 77.9		\$ 77.9
Other accounts payable	7.6		7.6
Accrued expenses	25.3		25.3
Current portion of long-term debt	0.6	(0.6)(7)	
Other current liabilities	4.6		4.6
Total current liabilities	115.9		115.2
Long-term borrowings	61.0	(61.0)(7)	
		246.7(7)	246.7
Accrued severance benefits, net	76.8		76.8
Other non-current liabilities	6.9		6.9
Total liabilities	260.6		445.7
Commitments and contingencies			
Unitholders /stockholders equity Common units;			
375,000,000 units authorized, 307,233,996 issued and			
outstanding at March 31, 2010, actual, 0 units issued and			
outstanding at March 31, 2010, pro forma			
	55.5	(55.5)(8)	
Common stock; shares authorized, 0 shares issued and			
outstanding at March 31, 2010, actual, shares issued			
and outstanding at March 31, 2010, pro forma			
		(8)	
Additional paid-in capital	169.3	(7)(8)	
Retained earnings	29.1		29.1

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Accumulated other comprehensive (loss)	(22.4)	(22.4)
Total unitholders /stockholders equity	231.4	100.5
Total liabilities and unitholders /stockholders equity	\$ 492.0	\$ 546.2

**Table of Contents****Notes to Unaudited Pro Forma Consolidated Financial Information as of March 31, 2010 and for the Three Months Ended March 31, 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 for the three months ended March 31, 2010. This adjustment is considered a material non-recurring adjustment and as such is being eliminated from the unaudited pro forma statement of operations.
- (2) To eliminate interest expense of \$2.0 million which was incurred on our \$61.6 million aggregate principal amount new term loan which was recognized in the three months ended March 31, 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 \$6.8 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 three months ended March 31, 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.

In addition, we believe that there would be no income tax impact from the corporate conversion and the change in tax status to a corporation. The corporate conversion does not impact MagnaChip Semiconductor LLC's operating structure which is a holding company without its own revenue or income generating activities with a history of consecutive losses. Accordingly, the converted MagnaChip Semiconductor Corporation is expected to have minimal net taxable income or loss for the three months ended March 31, 2010 and in subsequent periods and therefore any tax consequences would be immaterial. Consequently, even if the corporate conversion had occurred as of January 1, 2009, we would expect that any tax consequences would have been immaterial.

- (4) Basic and diluted pro forma income per common unit/share from continuing operations reflects (a) the consummation of the corporate conversion of MagnaChip Semiconductor LLC and the effectiveness of our certificate of incorporation, which is expected to occur prior to the closing of this offering and (b) the automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of . The following table sets forth the computation of unaudited pro forma basic and diluted income per common unit/share from continuing operations:

	<b>Weighted Average Common Units/ Shares</b>	<b>Earnings per Common Unit/Share from Continuing Operations</b>
Historical three months ended March 31, 2010 (Basic)	302,443,556	\$ 0.10
Historical three months ended March 31, 2010 (Diluted)	307,535,928	\$ 0.10
Pro forma adjustment for the corporate conversion		\$
Pro forma for the three months ended March 31, 2010 (Basic)		\$
Pro forma for the three months ended March 31, 2010 (Diluted)		\$

- (5) To reflect a \$46.5 million increase in cash and cash equivalents which represents the portion of the net proceeds from the issuance of \$250 million aggregate principal amount of senior notes that was applied to fund working capital and for general corporate purposes.
- (6) To reflect \$7.9 million of debt issuance costs in connection with the offering of \$250 million aggregate principal amount of senior notes and \$0.2 million elimination of existing debt issuance costs regarding the repayment of our new term loan.



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- (7) To reflect the issuance of \$250.0 million aggregate principal amount of senior notes with \$3.3 million of original issue discount and application of \$130.7 million of net proceeds to make a distribution to unitholders and resulting decrease in additional paid in capital and application of \$61.6 million of net proceeds to repay our new term loan of \$61.6 million of which \$0.6 million was classified as short-term as of March 31, 2010.
- (8) To reflect the change in the capitalization structure of MagnaChip Semiconductor LLC upon its conversion to a corporation by an automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of \_\_\_\_\_, upon the corporate conversion.

	Audited Historical		Unaudited	
	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/share data)				
<b>Condensed Pro Forma Statement of Operations:</b>				
Net sales	\$ 111.1	\$ 449.0	\$	\$ 560.1
Cost of sales	90.4	311.1	(22.7)(1)(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)	3.7(3)	(28.7)
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	\$ (2.5)	\$ 828.2	\$	\$ 46.6

unit/share

Per common unit / share data:(7)

Earnings (loss) from continuing operations per common unit / share Basic and diluted	\$ (0.01)	\$ 15.65	\$
Weighted average number of common units/shares Basic and diluted	300.863	52.923	

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**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 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.

(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 during 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 adjustment and as such is being eliminated from 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 operating loss carry forwards and, accordingly, such pro forma adjustments will have no income tax impact.

In addition, we believe that there would be no income tax impact from the corporate conversion and the change in tax status to a corporation. The corporate conversion does not impact MagnaChip Semiconductor LLC's operating structure which is a holding company without its own revenue or income generating activities with a history of

consecutive losses. Accordingly, the converted MagnaChip Semiconductor Corporation is expected to have minimal net taxable income or loss in

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2009 and in subsequent years and therefore any tax consequences would be immaterial. Consequently, even if the corporate conversion had occurred as of January 1, 2009, we would expect that any tax consequences would have been immaterial.

(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/share from continuing operations reflects (a) 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, (b) the consummation of the corporate conversion of MagnaChip Semiconductor LLC and the effectiveness of our certificate of incorporation, which is expected to occur prior to the closing of this offering and (c) the automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of . The following table sets forth the computation of unaudited pro forma basic and diluted income per common unit/share from continuing operations:

	<b>Weighted Average Common Units/ Shares</b>		<b>Earnings per Common Unit/Share from Continuing Operations</b>
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	(53,625,516)		
Pro forma for the combined twelve-month period ended December 31, 2009 before the impacts from the corporate conversion	300,160,731		
Pro forma adjustment for the corporate conversion			
Pro forma for the combined twelve-month period ended December 31, 2009		\$	

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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 2,600 novel registered patents and 1,000 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 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 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

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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. 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 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





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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.

### ***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 the decrease in salaries and related expenses in 2009 relative to 2008. In June, 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



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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 \$238.8 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. As a result of the higher level of indebtedness from our senior note offering, our quarterly interest expense will increase above that which was reported for the two-month period ended December 31, 2009 and the three months ended March 31, 2010 to approximately \$6.8 million per quarter.

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### ***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 42.8% and 58.8% of our net sales for the three months ended March 31, 2010 and March 29, 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 5.0% and 0.9% of our net sales for three months ended March 31, 2010 and March 29, 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 51.9% and 39.6% of our net sales for the three months ended March 31, 2010 and March 29, 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 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

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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, and (xi) foreign currency 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, and (vii) foreign currency 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 after 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 three months ended March 31, 2010 were \$28.7 million and \$15.0 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 the appreciation of the Korean

won against the U.S. dollar as described below, 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 three months ended March 31, 2010 and the combined twelve-month period ended December 31, 2009, we sold products to over 210 and 185 customers, respectively, and our net sales to our ten largest customers represented 64% and 69% of our net sales for the three months ended March 31, 2010 and the combined twelve-month period ended December 31, 2009, respectively. 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. For both the three months ended March 31, 2010 and the combined twelve-month period ended December 31, 2009, our Semiconductor Manufacturing Services segment utilized approximately 60% of our manufacturing capacity.

**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



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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 March 31, 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, we expect such expenses to increase in 2010 and 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



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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 quarterly interest expense will increase above that which was reported for the two-month period ended December 31, 2009 and the three months ended March 31, 2010 to approximately \$6.8 million per quarter.