

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

Registration No. 333-168516

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

**Amendment No. 1 to**  
**Form S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**MAGNACHIP SEMICONDUCTOR S.A.**

(Exact name of Registrant as specified in its charter)

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

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

**Not Applicable**  
(I.R.S. Employer  
Identification No.)

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74, rue de Merl

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

Luxembourg, B97483

(352) 45-62-62

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

## **MAGNACHIP SEMICONDUCTOR FINANCE COMPANY**

(Exact name of Registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>3674</b> (Primary Standard Industrial Classification Code Number) c/o MagnaChip Semiconductor S.A.	<b>84-1664144</b> (I.R.S. Employer Identification No.)
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74, rue de Merl

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

Luxembourg, B97483

(352) 45-62-62

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

**John McFarland**

**Senior Vice President, General Counsel and Secretary**

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

**20400 Stevens Creek Boulevard, Suite 370**

**Cupertino, CA 95014**

**Telephone: (408) 625-5999**

**Fax: (408) 625-5990**

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

**See Table of Additional Registrants Below**

*Copies to:*

**Micheal J. Reagan**

**Khoa D. Do**

**W. Stuart Ogg**

**Jones Day**

**1755 Embarcadero Road**

**Palo Alto, California 94303**

**Telephone: (650) 739-3939**

**Fax: (650) 739-3900**



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

**Table of Additional Registrants**

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

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

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

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

Subject to Completion, Dated October 4, 2010

PROSPECTUS

**MagnaChip Semiconductor S.A.**

**MagnaChip Semiconductor Finance Company**

**Offer to Exchange Up To**

**\$215,000,000**

**10.500% Senior Notes due 2018 and related Guarantees**

**which have been registered under the Securities Act of 1933**

**for any and all outstanding 10.500% Senior Notes due 2018 and related Guarantees**

We are offering, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange up to \$215,000,000 aggregate principal amount of our new 10.500% Senior Notes due 2018 that we have registered under the Securities Act of 1933, as amended, for an equal principal amount of our outstanding unregistered 10.500% Senior Notes due 2018. We refer to the new notes you will receive in this exchange offer as the new notes, and we refer to the old notes you will tender in this exchange offer as the old notes. The new notes will represent the same debt as the old notes, and we will issue the new notes under the same indenture.

**The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2010, unless extended by us.**

**Terms of the Exchange Offer**

We will exchange all old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.

You may withdraw tendered old notes at any time prior to the expiration of the exchange offer.

You are required to make the representations described on pages 10 and 213 to us.

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The terms of the new notes will be substantially identical to the terms of the old notes (including principal amount, interest rate, maturity and redemption rights), except that the new notes are registered under the Securities Act and will bear a separate CUSIP number, and the transfer restrictions, registration rights and related special interest terms applicable to the old notes will not apply to the new notes.

We will not receive any proceeds from the exchange offer.

There is no existing market for the new notes to be issued, and we do not intend to apply for their listing or quotation on any securities exchange or market.

See *Risk Factors* beginning on page 24 for a discussion of risks that should be considered by holders prior to tendering their old notes.

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

The date of this prospectus is \_\_\_\_\_, 2010.

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

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where the old notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

This prospectus is part of a registration statement on Form S-4 filed with the Securities and Exchange Commission, or the SEC, under the Securities Act and does not contain all of the information contained in the registration statement. This information is available without charge upon written or oral request. See Where you can find more information. To obtain this information in a timely fashion, you must request such information no later than five business days before , 2010, which is the date on which the exchange offer expires (unless we extend the exchange offer as described herein).

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



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### **PROSPECTUS SUMMARY**

*This summary highlights selected information from this prospectus. The following summary is qualified in its entirety by the information contained elsewhere in this prospectus. This summary is not complete and may not contain all of the information that you should consider before exchanging your old notes for new notes. You should read the entire prospectus carefully, including the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections contained in this prospectus and our consolidated financial statements.*

*In this prospectus, unless the context otherwise requires:*

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

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

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

*Korea refers to the Republic of Korea or South Korea.*

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

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

### **Overview**

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

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

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

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

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

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

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effective on November 9, 2009. For 2008, we generated net sales of \$601.7 million, losses from continuing operations of \$325.8 million, Adjusted EBITDA of \$59.8 million and Adjusted Net Loss of \$71.7 million. See Unaudited Pro Forma Consolidated Financial Information beginning on page 56 for an explanation regarding our pro forma presentation and Prospectus Summary Summary Historical and Unaudited Pro Forma Consolidated Financial Data, beginning on page 17 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

### **Our Products and Services**

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

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

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

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

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

### **Our Competitive Strengths**

We believe our strengths include:

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

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

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

Flexible, service-oriented culture and approach to customers;

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

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

### **Our Strategy**

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

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

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

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

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

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

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

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### **Recent Changes to Our Business**

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

Specifically, our business optimization initiatives included:

Closing our Imaging Solutions business, which had been a source of substantial ongoing operating losses amounting to \$91.5 million and \$51.7 million in 2008 and 2007, respectively, and which required substantial ongoing capital investment;

Through our reorganization proceedings, reducing our indebtedness from \$845 million immediately prior to the effectiveness of our plan of reorganization to \$61.8 million as of December 31, 2009 and retiring \$149 million of redeemable convertible preferred units;

Streamlining our cost structure to reduce ongoing fixed and variable expenses;

Entering into a hedging program to mitigate the impact of currency fluctuation on our financial results; and

Focusing on major customers, key product lines, growth segments and areas of competitive differentiation.

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

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

### **Risks Related to Our Company**

Investing in our company entails a high degree of risk, including those summarized below and those more fully described in the Risk Factors section beginning on page 24 of this prospectus before deciding whether to exchange your old notes in the exchange offer.

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;



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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; and

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

## **Corporate Information**

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

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

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

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

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

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



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

Our Chapter 11 plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. Additionally, on that date, a new board of directors of MagnaChip Semiconductor LLC was appointed, MagnaChip Semiconductor LLC's previously outstanding common and preferred units, and options were cancelled, MagnaChip Semiconductor LLC issued approximately 300 million common units and warrants to purchase 15 million common units to two classes of creditors and affiliated funds of Avenue Capital Management II, L.P. became the majority unitholder of MagnaChip Semiconductor LLC.

Avenue Capital Management II, L.P. is a global investment management firm, and it and its affiliated funds specialize in investing in high yield debt, debt of insolvent or financially distressed companies and equity of companies undergoing financial or operational turnarounds or reorganizations. In this prospectus, we refer to funds affiliated with Avenue Capital Management II, L.P. collectively as Avenue. Avenue generally does not manage or operate the companies in which it invests; however, in connection with some of its equity investments, Avenue will appoint one or more representatives to serve on the board of directors. Avenue was a holder of a significant portion of our indebtedness which was outstanding prior to our reorganization proceedings. In connection with our emergence from our reorganization proceedings, Avenue became our majority unitholder as a result of its participation in our rights offering and continued as a lender under our new term loan. In connection with our April 2010 old notes offering, Avenue purchased notes in the aggregate principal amount of \$35.0 million, was repaid \$42.8 million in connection with the repayment of our new term loan and received \$91.2 million in connection with our distribution to unitholders. Avenue has the right to appoint a majority of our board pursuant to our Fifth Amended and Restated Limited Liability Company Operating Agreement and if and when we complete the MagnaChip Corporation IPO, Avenue will continue to be able to elect a majority of our board as long as Avenue continues to hold or control a majority of our outstanding shares. See [Certain Relationships and Related Transactions](#) for additional information. Because Avenue may be deemed to be our affiliate, based on interpretations by the staff of the SEC in no action letters issued to third parties not related to us, Avenue is not eligible to participate in the exchange offer with respect to the \$35 million aggregate principal amount of old notes held by Avenue as of the date hereof. Pursuant to the terms of the exchange and registration rights agreement that we entered into with the initial purchasers in connection with the sale of the old notes, we have agreed to file and have declared effective a registration statement with the SEC on behalf of Avenue for the purpose of resale of the old notes by Avenue.

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**Organizational Structure**

The following chart shows a summary of our organizational structure.

MagnaChip Semiconductor S. A. and MagnaChip Semiconductor Finance Company are the co-issuer of the old notes and the new notes offered hereby. MagnaChip Semiconductor LLC and each of its subsidiaries (other than MagnaChip Korea, the MagnaChip China Subsidiaries and certain Immaterial Subsidiaries (each as defined under the caption "Description of New Notes" )), guarantee the notes.

- (1) Assuming completion of the corporate conversion, MagnaChip Corporation will succeed to the business of MagnaChip Semiconductor LLC.
- (2) Does not guarantee the notes offered hereby.

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**Summary of the Exchange Offer**

*On April 9, 2010, we completed the private offering of \$250 million aggregate principal amount of 10.500% Senior Notes due 2018, which we refer to in this prospectus as the old notes. We entered into an exchange and registration rights agreement, which we refer to in this prospectus as the notes registration rights agreement, with the initial purchasers of the old notes in which we agreed to deliver to you this prospectus and to use all commercially reasonable efforts to complete an exchange offer within the time period specified in the notes registration rights agreement. Avenue purchased \$35 million aggregate principal amount of old notes in the private offering. Because Avenue may be deemed to be our affiliate, they are not permitted to participate in the exchange offer and we have not included old notes held by them in this exchange offer. Below is a summary of the exchange offer. For a more detailed description of the exchange offer, see Exchange offer.*

**The Exchange Offer**

We are offering to exchange up to \$215,000,000 aggregate principal amount of 10.500% Senior Notes due 2018, which have been registered under the Securities Act and which we refer to as the new notes, for our outstanding, unregistered 10.500% Senior Notes due 2018, which we issued on April 9, 2010 and which we refer to as the old notes, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Unless we specify otherwise or the context indicates otherwise, we refer to the new notes and the old notes together as the notes.

The terms of the new notes will be substantially identical to the terms of the old notes (including principal amount, interest rate, maturity and redemption rights), except that the new notes are registered under the Securities Act and will bear a separate CUSIP number, and the transfer restrictions, registration rights and related special interest terms applicable to the old notes will not apply to the new notes. The old notes may be exchanged only in denominations of \$2,000 and integral multiples of \$1,000. We intend by the issuance of the new notes to satisfy our obligations under the notes registration rights agreement.

**Expiration of the Exchange Offer; Acceptance and Issuance of New Notes**

The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2010, or such later date and time to which we may extend it in our sole discretion. Subject to the conditions stated in Exchange offer Terms of the Exchange Offer Conditions to the Exchange Offer, we will accept for exchange any and all outstanding old notes that are validly tendered and not validly withdrawn before the expiration of the exchange offer. The new notes will be delivered promptly after the expiration of the exchange offer. Any old notes not accepted for exchange for any reason will be returned without expense to you promptly after the expiration or termination of the exchange offer.

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Withdrawal Rights	You may withdraw your tender of old notes in the exchange offer at any time before the expiration of the exchange offer.
Conditions to the Exchange Offer	The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange. The exchange offer is subject to customary conditions, which we may waive. Please read Exchange offer Terms of the Exchange Offer Conditions to the Exchange Offer for more information regarding the conditions to the exchange offer.
Procedures for Tendering Notes	<p>To tender old notes held in book-entry form through the Depository Trust Company, or DTC, you must transfer your old notes into the exchange agent's account in accordance with DTC's Automated Tender Offer Program, or ATOP, system. In lieu of delivering a letter of transmittal to the exchange agent, a computer-generated message, in which the holder of the old notes acknowledges and agrees to be bound by the terms of the letter of transmittal (an agent's message), must be transmitted by DTC on behalf of a holder of old notes and received by the exchange agent before 5:00 p.m., New York City time, on the expiration date. In all other cases, a letter of transmittal must be manually executed and received by the exchange agent before 5:00 p.m., New York City time, on the expiration date. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:</p> <ul style="list-style-type: none"><li>you are not our affiliate as defined in Rule 405 of the Securities Act, or if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;</li><li>you are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the new notes;</li><li>you are acquiring the new notes in your ordinary course of business;</li><li>if you are a broker-dealer that holds old notes that were acquired for your own account as a result of market-making activities or other trading activities (other than old notes acquired directly from us or our affiliates), you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the new notes;</li><li>if you are a broker-dealer, you did not purchase the old notes to be exchanged in the exchange offer from us or our affiliates;</li><li>you are not acting on behalf of any person who could not truthfully and completely make the representations contained in the foregoing clauses.</li></ul>

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Special Procedures for Beneficial Owners

If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you want to tender old notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, before completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the registered holder.

Guaranteed Delivery Procedures

If you wish to tender your old notes, and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedure for book-entry transfer cannot be completed on time, you may tender your old notes under the procedures described in Exchange offer Guaranteed Delivery Procedures.

Failure to Exchange Your Old Notes

All untendered old notes will remain subject to the restrictions on transfer provided for in the old notes and in the indenture. Generally, the old notes that are not exchanged for new notes in the exchange offer will remain restricted securities, and may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Following the exchange offer, we will have no obligation to register outstanding old notes under the Securities Act or to pay contingent increases in interest based on our original registration obligation, except in the limited circumstances provided under the notes registration rights agreement, including the registration of the resale of up to \$35 million aggregate principal amount of old notes held by Avenue.

Resales

Based on interpretations by the staff of the Securities and Exchange Commission, or SEC, in no action letters issued to third parties, we believe that new notes issued in exchange for old notes in the exchange offer may be offered for resale, resold or otherwise transferred by you after the exchange offer without further compliance with the registration and prospectus delivery requirements of the Securities Act (subject to certain representations required to be made by each holder of old notes, as set forth under Exchange Offer Procedures for Tendering ), unless you are a broker-dealer receiving securities for your own account, so long as:

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

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you acquire the new notes in the ordinary course of your business;

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

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

If you are our affiliate, or you are engaged in, intend to engage in or have any arrangement or understanding with respect to, the distribution of new notes acquired in the exchange offer, you (1) should not rely on our interpretations of the position of the SEC's staff and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If you are a broker-dealer and receive new notes for your own account in the exchange offer:

you must represent that you do not have any arrangement with us or any of our affiliates to distribute the new notes;

you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes you receive from us in the exchange offer (the letter of transmittal states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an underwriter within the meaning of the Securities Act); and

you may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of new notes received in exchange for old notes acquired by you as a result of market making or other trading activities.

For a period of up to 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale described above. See Plan of distribution.

Federal Income Tax Considerations

The exchange of notes pursuant to the exchange offer should not be a taxable event for U.S. federal income tax purposes. See Certain United States Federal Income Tax Considerations.

Use of Proceeds

We will not receive any proceeds from the issuance of the new notes in the exchange offer.

Exchange Agent

Wilmington Trust FSB is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in Exchange Offer Exchange Agent.



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**Summary of the Terms of New Notes**

The exchange offer relates to the exchange of up to \$215,000,000 in aggregate principal amount of old notes for an equal aggregate principal amount of new notes. There is currently \$250 million in aggregate principal amount of old notes outstanding, of which \$35 million are held by Avenue, who will not participate in the exchange offer. The terms of the new notes will be substantially identical to the terms of the old notes, except the new notes are registered under the Securities Act, the new notes will bear a separate CUSIP number, and the transfer restrictions, registration rights and related additional interest terms applicable to the old notes will not apply to the new notes. The new notes will evidence the same indebtedness as the old notes which they will replace. Both the old notes and the new notes are governed by the same indenture. The following summary contains some basic information about the new notes. For a more complete description of the new notes, see Description of New Notes.

Issuers	MagnaChip Semiconductor S.A., a société anonyme with a registered office at 74, rue de Merl, B.P. 709 L-2146 Luxembourg registered with the register of commerce and companies of Luxembourg under number B97483, and MagnaChip Semiconductor Finance Company.
Notes Offered	\$215 million in aggregate principal amount of 10.500% Senior Notes due 2018. \$250 million in aggregate principal amount of old notes is currently outstanding under the indenture.
Maturity	April 15, 2018.
Interest Rate	Interest on the notes will accrue at a rate of 10.500% per annum. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Interest Payment Dates	Interest on the notes will be payable semi-annually on April 15 and October 15 of each year, beginning on October 15, 2010.
Guarantees	The notes will be fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and each of its current and future subsidiaries (other than certain Immaterial Subsidiaries, MagnaChip Korea and the MagnaChip China Subsidiaries). See Description of New Notes The Note Guarantees.
Ranking	The notes will be the issuers' general unsecured obligations. The notes will rank pari passu in right of payment with all of the issuers' existing and future unsecured indebtedness and other liabilities (including trade payables) and senior in right of payment to all future debt of the issuers that is expressly subordinated in right of payment to the notes (if any).  The notes will be effectively subordinated in right of payment to all borrowings under future secured credit facilities (to the extent of the value of the collateral securing those facilities) and to all indebtedness and other liabilities (including trade payables) of any non-guarantor subsidiaries. Our non-guarantor subsidiaries generated approximately 98.0% and





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69.2% of our aggregate consolidated revenues for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively, and as of June 30, 2010 and December 31, 2009 held approximately 85.1% and 87.3% of our consolidated assets and had \$204.0 million and \$166.2 million in total outstanding indebtedness and other liabilities, excluding intercompany liabilities.

The note guarantees will be the guarantors' general unsecured obligations. Each guarantee will be effectively subordinated in right of payment to all future secured debt of the guarantor, will be pari passu in right of payment with all existing and future unsecured indebtedness and other liabilities (including trade payables) of the guarantor and senior in right of payment to any future subordinated indebtedness of the guarantor (if any).

**Optional Redemption**

On or after April 15, 2014, we may on one or more occasions redeem some or all of the notes at any time at the redemption prices set forth under Description of New Notes Optional Redemption, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date.

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

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

See Description of New Notes Optional Redemption.

**Additional Amounts; Tax Redemption**

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

We may redeem the notes in whole but not in part, at our discretion, at a redemption price equal to the principal amount of the notes outstanding plus accrued and unpaid interest,

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special interest and additional amounts due, if any, to the redemption date, if we are or would be required to pay any such additional amounts as a result of specified changes in laws, treaties, regulations or rulings, or specified changes in application, administration or interpretation of such laws, treaties, regulations or rulings, subject to certain limitations. See Description of New Notes Redemption Upon Changes in Withholding Taxes.

Change of Control Offer

If we experience certain change of control events, we must offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. See Description of New Notes Repurchase at the Option of Holders Change of Control.

Asset Sale Offer

Under certain circumstances, if we sell assets and do not use the proceeds from the sale as specified in the indenture, we must apply the proceeds therefrom to an offer to repurchase, prepay or redeem the notes at 100% of their principal amount, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. See Description of New Notes Repurchase at the Option of Holders Asset Sales.

Restrictive Covenants

The notes will be issued under an indenture containing covenants that, among other things, will restrict the ability of MagnaChip Semiconductor LLC and its restricted subsidiaries (including the issuers) to:

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

incur additional indebtedness or issue preferred units;

create liens;

make certain investments;

consolidate, merge or dispose of all or substantially all of our assets, taken as a whole;

sell or otherwise transfer or dispose of assets, including equity interests of subsidiaries;

enter into sale-leaseback transactions;

enter into transactions with our affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

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





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**Summary Historical and Unaudited Pro Forma Consolidated Financial Data**

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

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

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

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

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





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\* Derived from our unaudited interim consolidated financial statements.

\*\* Derived from our audited consolidated financial statements.

- (1) Gives effect to the reorganization proceedings and related events and the issuance of \$250 million old notes and the application of the net proceeds therefrom. For details regarding these pro forma adjustments, see the notes to the unaudited pro forma condensed consolidated financial information in Unaudited Pro Forma Consolidated Financial Information.
- (2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings and interest-bearing liabilities subject to compromise.
- (3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units, including interest-bearing liabilities subject to compromise.
- (4) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expense, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (ix) equity-based compensation expense, (x) reorganization items, net, (xi) foreign currency gain (loss), net and (xii) derivative valuation gain (loss), net. See the footnotes to the table below for further information regarding these items. In the case of pro forma Adjusted EBITDA, we exclude the items above from income (loss) from continuing operations. We present Adjusted EBITDA as a supplemental measure of our performance because:

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

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

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

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

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

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

to evaluate the effectiveness of our enterprise level business strategies;

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

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

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

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

- (a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for the six months ended June 30, 2010, impairment of four abandoned in-process research and development projects, accounted for as indefinite-lived intangible assets as part of the application of fresh-start accounting, (ii) for the six months ended June 28, 2009, the closure of our research and development facilities in Japan, (iii) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (iv) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our mobile display solutions, or MDS reporting unit, and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (v) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.
- (b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of \$6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of \$13.3 million for restructuring-related professional fees and related expenses and (iii) for 2008, a charge of \$6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.



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- (c) This adjustment eliminates a \$3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.
- (d) This adjustment eliminates a \$1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.
- (e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the period from January 1 to October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our Chapter 11 reorganization.
- (f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.
- (g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.
- (h) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.
- (i) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

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

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

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

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

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

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

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

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

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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

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

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

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

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

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



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- (b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for the six months ended June 28, 2009, a charge of \$6.9 million for restructuring-related professional fees and related expenses, (ii) for 2009, a charge of \$13.3 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.
- (c) This adjustment eliminates a \$3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We have incurred similar costs in connection with the MagnaChip Corporation IPO.
- (d) This adjustment eliminates a \$1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.
- (e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our reorganization proceedings.
- (f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.
- (g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.
- (h) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.
- (i) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.
- (j) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in USD, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

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

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

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

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

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



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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 deciding whether to exchange your old notes in the exchange offer. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, there could be a material adverse effect on our ability to satisfy our obligations under the new notes and you may lose all or part of your original investment.*

**Risks Related to the Exchange Offer**

***Failure to Tender Your Old Notes for New Notes could Limit Your Ability to Resell the Old Notes.***

The old notes were not registered under the Securities Act or under the securities laws of any state and may not be resold, offered for resale or otherwise transferred unless they are subsequently registered or resold under an exemption from the registration requirements of the Securities Act and applicable state securities laws. If you do not exchange your old notes for new notes under the exchange offer, you will not be able to resell, offer to resell or otherwise transfer the old notes unless they are registered under the Securities Act and applicable state securities laws or unless you resell them, offer to resell or otherwise transfer them under an exemption from, or in a transaction not subject to, the registration requirements. In addition, we will no longer be under an obligation to register the old notes under the Securities Act except in the limited circumstances provided under the notes registration rights agreement. To the extent that old notes are tendered for exchange and accepted in the exchange offer, the trading market for the untendered and tendered but unaccepted old notes could be adversely affected.

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

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

***You Must Comply with the Exchange Offer Procedures in Order to Receive New Notes.***

The new notes will be issued in exchange for the old notes only after timely receipt by the exchange agent of the old notes or a book-entry confirmation related thereto, a properly completed and executed letter of transmittal or an agent's message and all other required documentation. If you want to tender your old notes in exchange for new notes, you should allow sufficient time to ensure timely delivery. Neither we nor the exchange agent are under any duty to give you notification of defects or irregularities with respect to tenders of old notes for exchange. Old notes that are not tendered or are

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tendered but not accepted will, following the exchange offer, continue to be subject to the existing transfer restrictions. For additional information, please refer to the sections entitled *Exchange Offer* and *Plan of Distribution* in this prospectus.

### ***Broker-Dealers and Others may Need to Comply with the Registration and Prospectus Delivery Requirements of the Securities Act.***

Any broker-dealer that (1) exchanges its old notes in the exchange offer for the purpose of participating in a distribution of the new notes or (2) resells new notes that were received by it for its own account in the exchange offer may be deemed to have received restricted securities and will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the new notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act. In addition, other persons that tender old notes for the purpose of participating in a distribution of the new notes will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes.

### **Risks Related to the Notes**

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

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

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

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

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

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

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

increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;

place us at a competitive disadvantage compared to competitors that are not as highly leveraged; and

negatively affect our ability to fund a change of control offer.

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



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

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

pay dividends, redeem units or make other distributions with respect to equity interests, make payments with respect to subordinated indebtedness or other restricted payments;

incur debt or issue preferred units;

create liens;

make certain investments;

consolidate, merge or dispose of all or substantially all of our assets, taken as a whole;

sell or otherwise transfer or dispose of assets, including equity interests of our subsidiaries;

enter into sale-leaseback transactions;

enter into transactions with our affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

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

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

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

their earnings;

covenants contained in our debt agreements (including the indenture governing the notes) and the debt agreements of our subsidiaries;

covenants contained in other agreements to which we or our subsidiaries are or may become subject;

business and tax considerations; and

applicable law.

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

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

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

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

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

***We May be Unable to Repay or Repurchase the Notes.***

At maturity, the entire outstanding principal amount of the notes, together with accrued and unpaid interest, will become due and payable. We may not have the funds to fulfill these obligations or

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the ability to refinance the obligations before they become due. If the maturity date occurs at a time when other arrangements prohibit us from repaying the notes, we would try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we could not obtain the waivers or refinance these borrowings, we would be unable to repay the notes when they become due.

### ***A Financial Failure by us or any Guarantor may Hinder the Receipt of Payment on the Notes and Enforcement of Remedies under the Guarantees.***

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

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

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

In addition, not all of our subsidiaries guarantee the notes. The notes and the guarantees are effectively subordinated to the indebtedness and other liabilities (including trade payables) of any non-guarantor subsidiary and holders of the notes do not have any claim as a creditor against any nonguarantor subsidiary. Our non-guarantor subsidiaries generated approximately 98.0% and 69.2% of our aggregate consolidated revenues for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009, respectively, and as of June 30, 2010 and December 31, 2009 held approximately 85.1% and 87.3% of our consolidated assets and had \$204.0 million and \$166.2 million in total outstanding indebtedness and other liabilities, excluding intercompany liabilities.

### ***A Court could Void the Guarantees of the Notes under Fraudulent Transfer or Similar Laws, which could Limit Your Ability to Seek Repayment from the Guarantors.***

Although the guarantees provide the noteholders with a direct claim against the assets of the guarantors, under the United States Bankruptcy Code and comparable provisions of the fraudulent transfer and similar laws in other applicable jurisdictions, a guarantee could be voided, or claims with respect to a guarantee could be subordinated to all other debts of that guarantor. In addition, a bankruptcy court could void (i.e., cancel) any payments by that guarantor pursuant to its guarantee and require those payments to be returned to the guarantor or to a fund for the benefit of the other creditors.



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of the guarantor. A bankruptcy court might take these actions if it found, among other things, that when a subsidiary guarantor executed its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

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

such subsidiary guarantor:

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

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

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

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

***Any Future Guarantees Provided After the Notes are Issued could also be Avoided by a Trustee in Bankruptcy.***

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

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

If we experience certain change of control events, we are required by the indenture governing the notes to offer to repurchase all outstanding notes at a repurchase price equal to 101% of the principal amount of notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. In addition, under certain circumstances, if we sell assets and fail to apply the net proceeds therefrom as provided in the indenture, we must offer to repurchase the notes at a repurchase price equal to 100% of the principal amount of the notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. If a change of control event or an asset sale were to occur, we cannot assure you that we would have sufficient funds to

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repay the notes and all other indebtedness that we would be required to offer to purchase or that would become immediately due and payable as a result of such change of control event or asset sale. We may require additional financing from third parties to fund any such repurchases, and we cannot assure you that we would be able to obtain additional financing on satisfactory terms or at all. Our failure to repay noteholders who tender notes for repurchase following a change of control event or asset sale could result in an event of default under the indenture governing the notes. Any future indebtedness to which we become a party may also prohibit us from purchasing notes. If a change of control event or an asset sale occurs at a time when we are prohibited from purchasing notes, we may have to either seek the consent of the applicable lenders to the purchase of notes or attempt to refinance the borrowings that contain such prohibition. Our failure to obtain such a consent or to refinance such borrowings may preclude us from purchasing tendered notes and trigger an event of default under the indenture governing the notes, which may, in turn, constitute a default under other indebtedness. Finally, the events that would constitute a change of control under the indenture may also result in an event of default under our future secured credit facilities, in which case we could be required to repay our secured indebtedness before we repurchase any of the notes.

***Unrestricted Subsidiaries Generally will not be Subject to any of the Covenants in the Indenture, and we may not be Able to Rely on the Cash Flow or Assets of Those Unrestricted Subsidiaries to Pay our Indebtedness.***

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

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

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

## **Risks Related to Our Business**

***We have a History of Losses and may not Achieve or Sustain Profitability in the Future.***

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

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

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

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

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

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

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

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, short product life cycles (for semiconductors and for the end-user products in which they are used) and wide fluctuations in product

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supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns, including the recent economic downturn, have been characterized by diminished demand for end-user products, high inventory levels, underutilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes. This may reduce our results of operations.

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

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

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

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

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

### ***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

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given time to meet our customers' increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit.

### ***Our Customers may Cancel their Orders, Reduce Quantities or Delay Production, which would Adversely Affect Our Margins and Results of Operations.***

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

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

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

### ***A Significant Portion of Our Sales Comes from a Relatively Limited Number of Customers, the Loss of which would Adversely Affect Our Financial Results.***

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high-volume products or services, our financial results would be adversely affected. Net sales to our ten largest customers represented 64%, 66%, 69% and 63% of our net sales for the six months ended June 30, 2010, the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008, respectively. LG Display represented 19% and 26% of our net sales and a substantial portion of the net sales generated by our top ten customers for the six months ended June 30, 2010 and the combined twelve-month period ended December 31, 2009. Significant reductions in sales to any of these customers, especially our few largest customers, the loss of other major customers or a general curtailment in orders for our high-volume products or services within a short period of time would adversely affect our business.

### ***The Average Selling Prices of Our Semiconductor Products have at Times Declined Rapidly and will Likely do so in the Future, Which could Harm Our Revenue and Gross Profit.***

The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross

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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 capabiliti