MAGNACHIP SEMICONDUCTOR LLC
Form S-1
March 15, 2010

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As filed with the Securities and Exchange Commission on March 15, 2010

Registration No. 333-

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

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	**3674**	**26-1815025**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

c/o MagnaChip Semiconductor S.A.
74, rue de Merl, B.P. 709 L-2146 Luxembourg R.C.S.
Luxembourg B97483
(352) 45-62-62
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

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c/o MagnaChip Semiconductor, Inc.
20400 Stevens Creek Boulevard, Suite 370
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
Common Stock, par value $0.01 per share Depositary Shares(2)	$ 250,000,000	$ 17,825.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o). Includes shares of common stock that the underwriters have an option to purchase.

(2) All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share will be issued under a deposit agreement, will represent an interest in a share of common stock and will be evidenced by a depositary receipt. days after the effective date of this registration statement, each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled. Until such

cancellation of the depositary shares, holders of depositary shares will be entitled to all proportional rights and preferences of the shares of common stock.

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

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated March 15, 2010

MagnaChip Semiconductor Corporation

Depositary Shares

Representing Shares of Common Stock

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

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

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

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

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

	Per depositary share	Total

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

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

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

Goldman, Sachs & Co. **Barclays Capital** **Deutsche Bank Securities**

Citi **UBS Investment Bank**

Prospectus dated , 2010

Mobile Application Television Application Computer Application

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

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

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

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained in this prospectus and our consolidated financial statements before making an investment decision. In this prospectus, unless the context otherwise requires, the terms we, us, our and MagnaChip refer to MagnaChip Semiconductor LLC and its consolidated subsidiaries for the periods prior to the consummation of the corporate conversion (as described below), and such terms refer to MagnaChip Semiconductor Corporation and its consolidated subsidiaries for the periods after the consummation of the corporate conversion. The term Korea refers to the Republic of Korea or South Korea. All references to shares of common stock being sold in this offering include shares held in the form of depositary shares, as described under Description of Depositary Shares.

Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, we will complete a number of transactions pursuant to which MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries and the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation. In this prospectus, we refer to such transactions as the corporate conversion.

Overview

MagnaChip is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 3,600 novel registered and pending patents 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 for use in 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 2,300 distinct products to over 185 customers for the year ended December 31, 2009, with a substantial portion of our revenues derived from a concentrated number of customers, including LG Display, Sharp and Samsung. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design analog and mixed-signal products for the consumer, computing and wireless end markets. For

2009 on an a combined pro forma basis, we generated net sales of

$560.1 million, income from continuing operations of $66.0 million, Adjusted EBITDA of $98.7 million and Adjusted Net Income of $53.0 million. See Unaudited Pro Forma Consolidated Financial Information beginning on page 46 for an explanation regarding our pro forma presentation and Summary Historical and Unaudited Pro Forma Consolidated Financial Data, beginning on page 8 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

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.

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.

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.

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.

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

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distinguished by design and process implementation expertise rather than the use of the most advanced equipment. 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 and to continue to strengthen our position as a leading provider of analog and mixed-signal semiconductor products and services for high-volume consumer applications. Our business strategy emphasizes the following key elements:

- Leverage our advanced analog and mixed-signal technology platform to continuously innovate and deliver products with high levels of performance and integration, as well as to expand our technology offerings within our target markets, such as our power management products;
- Increase business with our global customer base of leading consumer electronics original equipment manufacturers, or OEMs, and fabless companies by collaborating on critical design, product and manufacturing process development and leveraging our deep knowledge of customer needs;
- Broaden our customer base by expanding our global design centers and local application engineering support and sales presence, particularly in China and other high-growth regions;
- Aggressively grow our power management product portfolio business by introducing new products, expanding distribution and cross-selling products to our existing customers;
- Drive execution excellence in new product development, manufacturing efficiency and quality, customer service and personnel development; and

Optimize asset utilization and return on capital investments by maintaining our focus on specialty process technologies that do not require substantial investment in leading edge

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process equipment and by utilizing our manufacturing facilities for both our display driver and power management businesses and manufacturing services customers.

Recent Changes To Our Business

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

Specifically, our business optimization initiatives included:

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

- 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;

- 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.

Risks Related to Our Company

Investing in our company entails a high degree of risk, including those summarized below and those more fully described in the Risk Factors section beginning on page 16 of this prospectus. You should consider carefully these risks before deciding to invest in our common stock.

- We have a history of losses and may not be profitable in the future;

- On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and our plan of reorganization became effective on November 9, 2009;

- In connection with our audit for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009, our auditors identified two control deficiencies which represent a material weakness in our internal control over financial reporting; if we fail to effectively remediate this weakness, the accuracy and timing of our financial reporting may be adversely affected;

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

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

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

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

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

Corporate Information

Prior to the closing of this offering, MagnaChip Semiconductor LLC will convert from a Delaware limited liability company to a Delaware corporation. We refer to this as the corporate conversion. In connection with the corporate conversion, each common unit of MagnaChip Semiconductor LLC will be converted into shares of common stock of MagnaChip Semiconductor Corporation, the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation and MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries. See Corporate Conversion for further information regarding the corporate conversion.

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

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

On June 12, 2009, MagnaChip Semiconductor LLC, along with certain of its subsidiaries, including MagnaChip Semiconductor S.A., filed a voluntary petition for relief in the United States Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code, which we refer to as the reorganization proceedings. On November 9, 2009, our plan of reorganization became effective and we emerged from the reorganization proceedings. 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. Our Chapter 11 plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. In this prospectus, we refer to funds affiliated with Avenue Capital Management II, L.P. collectively as Avenue.

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The Offering

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

Proposed New York Stock Exchange
symbol

(1) We have provided the underwriters an option to purchase up to additional depositary shares and the selling stockholders have provided the underwriters an option to purchase up to

additional depositary shares. If the underwriters exercise their option to purchase additional shares, we will not receive any of the proceeds from the additional sale of depositary shares by the selling stockholders.

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

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

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

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

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

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

Unless specifically stated otherwise, the information in this prospectus:

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

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

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Summary Historical and Unaudited Pro Forma Consolidated Financial Data

The following tables set forth summary historical and unaudited pro forma consolidated financial data of MagnaChip Semiconductor LLC (to be converted into MagnaChip Semiconductor Corporation prior to consummation of this offering) on or as of the dates and for the periods indicated. The summary historical and unaudited pro forma consolidated financial data presented below should be read together with Selected Historical Consolidated Financial and Operating Data, Unaudited Pro Forma Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our 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. 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.

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 for the year ended December 31, 2009 to give pro forma effect to the reorganization proceedings and related events and the corporate conversion, in each case as if they had occurred at the beginning of the period presented with respect to consolidated statements of operations data and as of the balance sheet date with respect to balance sheet data. The summary unaudited pro forma financial data set forth below are presented for informational purposes only, should not be considered indicative of actual results of operations that would have been achieved had the reorganization proceedings and related events and the corporate conversion been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

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	Pro Forma(1)	Historical			
		Successor	Predecessor		
	Year Ended December 31, 2009	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
	(In millions, except per common unit/share data)				
	(Unaudited)	(Audited)	(Audited)		
Statements of Operations Data:					
Net sales	$ 560.1	$ 111.1	$ 449.0	$ 601.7	$ 709.5
Cost of sales	378.9	90.4	311.1	445.3	578.9
Gross profit	181.2	20.7	137.8	156.4	130.7
Selling, general and administrative expenses	71.6	14.5	56.3	81.3	82.7
Research and development expenses	77.3	14.7	56.1	89.5	90.8
Restructuring and impairment charges	0.4		0.4	13.4	12.1
Operating income (loss) from continuing operations	31.9	(8.6)	25.0	(27.7)	(54.9)
Interest expense, net	9.4	1.3	31.2	76.1	60.3
Foreign currency gain (loss), net	52.8	9.3	43.4	(210.4)	(4.7)
Reorganization items, net			804.6		
	43.4	8.1	816.8	(286.5)	(65.0)
Income (loss) from continuing operations before income taxes	$ 75.2	$ (0.5)	$ 841.8	$ (314.3)	$ (120.0)
Income tax expenses	9.2	1.9	7.3	11.6	8.8
Income (loss) from continuing operations	$ 66.0	$ (2.5)	$ 834.5	$ (325.8)	$ (128.8)
Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Net income (loss)		(2.0)	841.1	(417.3)	(180.6)
Dividends accrued on preferred units			6.3	13.3	12.0
Income (loss) from continuing operations attributable to common units/shares	66.0	(2.5)	828.2	(339.1)	(140.9)
Per common unit/share data:					
Earnings (loss) from continuing operations per common unit/share Basic and diluted		$ (0.01)	$ 15.65	$ (6.43)	$ (2.69)
Weighted average number of common units/shares Basic and diluted		300.863	52.923	52.769	52.297
Consolidated Balance Sheet Data (at period end):					

Cash and cash equivalents	$ 64.9	$ 64.9		$ 4.0	$ 64.3
Total assets	453.3	453.3		399.2	707.9
Total indebtedness(2)	61.8	61.8		845.0	830.0
Long-term obligations(3)	61.5	61.5		143.2	879.4
Total unitholders /stockholders equity (deficit)	215.7	215.7		(787.8)	(477.5)
Supplemental Data (unaudited):					
Adjusted EBITDA(4)	98.7	22.1	76.6	59.8	111.2
Adjusted Net Income (Loss)(5)	53.0	13.3	9.3	(71.7)	(82.6)

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

(3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.

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

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

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

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

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

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

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

to evaluate the effectiveness of our enterprise level business strategies;

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

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

to measure our compliance with certain covenants in our debt agreements.

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

	Pro Forma	Historical Successor	Historical Predecessor		
	Year Ended December 31, 2009	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Years Ended December 31, 2008	Years Ended December 31, 2007
	(In millions)				
Net income (loss)		$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	66.0	(2.5)	834.5	(325.8)	(128.8)
Adjustments:					
Depreciation and amortization associated with continuing operations	50.6	11.2	37.7	63.8	152.2
Interest expense, net	9.4	1.3	31.2	76.1	60.3
Income tax expense	9.2	1.9	7.3	11.6	8.8
Restructuring and impairment charges(a)	0.4		0.4	13.4	12.1
Other restructuring charges(b)	13.3		13.3	6.2	
Abandoned IPO expenses(c)				3.7	
Subcontractor claim settlement(d)					1.3
Reorganization items, net(e)			(804.6)		
Inventory step-up(f)		17.2			
Equity-based compensation expense(g)	2.4	2.2	0.2	0.5	0.6
Foreign currency gain (loss), net(h)	(52.8)	(9.3)	(43.4)	210.4	4.7
Adjusted EBITDA	$ 98.7	$ 22.1	$ 76.6	$ 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 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, (ii) 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 (iii) 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 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

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

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

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the period from January 1 to October 25, 2009 was our predecessor s gain recognized from the effects of our reorganization proceedings. The gain results from 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 Chapter 11 reorganization.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Pro Forma	Historical			
		Successor	Predecessor		
	Year Ended December 31, 2009	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
	(In millions)				
Net income (loss)		$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	66.0	(2.5)	834.5	(325.8)	(128.8)
Adjustments:					
Restructuring and impairment charges(a)	0.4		0.4	13.4	12.1
Other restructuring charges(b)	13.3		13.3	6.2	
Abandoned IPO expenses(c)				3.7	
Subcontractor claim settlement(d)					1.3
Reorganization items, net(e)			(804.6)		
Inventory step-up(f)		17.2			
Equity based compensation expense(g)	2.4	2.2	0.2	0.5	0.6
Amortization of intangibles associated with continuing operations(h)	23.6	5.6	8.8	20.0	27.5
Foreign currency gain (loss), net(i)	(52.8)	(9.3)	(43.4)	210.4	4.7
Adjusted Net income (loss)	$ 53.0	$ 13.3	$ 9.3	$ (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 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, (ii) 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 (iii) 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 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

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

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

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

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

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

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

(i)