

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-34791



**Magnachip Semiconductor Corporation**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

83-0406195  
(I.R.S. Employer  
Identification No.)

c/o Magnachip Semiconductor, Ltd.  
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu  
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: +82 (2) 6903-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	MX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of April 30, 2025, the registrant had 36,063,605 shares of common stock outstanding.

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**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**TABLE OF CONTENTS**

	<u>Page No.</u>
<u>PART I FINANCIAL INFORMATION</u>	1
Item 1. <a href="#">Interim Consolidated Financial Statements (Unaudited)</a>	1
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Consolidated Balance Sheets as of March 31, 2025 and December 31, 2024</a>	1
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Consolidated Statements of Operations for the Three Months Ended March 31, 2025 and 2024</a>	2
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2025 and 2024</a>	3
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2025 and 2024</a>	4
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2025 and 2024</a>	5
<a href="#">Magnachip Semiconductor Corporation and Subsidiaries Notes to Consolidated Financial Statements</a>	6
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	25
Item 3. <a href="#">[Reserved]</a>	43
Item 4. <a href="#">Controls and Procedures</a>	43
<u>PART II OTHER INFORMATION</u>	44
Item 1. <a href="#">Legal Proceedings</a>	44
Item 1A. <a href="#">Risk Factors</a>	44
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	45
Item 3. <a href="#">Defaults Upon Senior Securities</a>	45
Item 4. <a href="#">Mine Safety Disclosures</a>	45
Item 5. <a href="#">Other Information</a>	46
Item 6. <a href="#">Exhibits</a>	47
<u>SIGNATURES</u>	48

PART I—FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements (Unaudited)

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2025	December 31, 2024
	(In thousands of U.S. dollars, except share data)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 132,654	\$ 138,610
Accounts receivable, net	28,270	28,402
Inventories, net	32,633	30,535
Other receivables	5,229	4,444
Prepaid expenses	10,591	10,379
Hedge collateral (Note 8)	2,080	2,080
Other current assets (Note 18)	4,017	4,779
Total current assets	215,474	219,229
Property, plant and equipment, net	80,289	81,463
Operating lease right-of-use assets	3,602	3,107
Intangible assets, net	500	507
Long-term prepaid expenses, net	177	165
Deferred income taxes	53,435	52,889
Other non-current assets	20,390	21,956
Total assets	<u>\$ 373,867</u>	<u>\$ 379,316</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 24,483	\$ 21,642
Other accounts payable	10,522	10,764
Accrued expenses (Note 7)	8,796	8,648
Accrued income taxes	52	56
Operating lease liabilities	1,693	1,393
Other current liabilities	2,241	3,765
Total current liabilities	47,787	46,268
Long-term borrowing	27,276	27,211
Accrued severance benefits, net	18,041	17,094
Non-current operating lease liabilities	1,881	1,823
Other non-current liabilities	9,681	10,123
Total liabilities	104,666	102,519
Commitments and contingencies (Note 18)		
Stockholders' equity		
Common stock, \$0.01 par value, 150,000,000 shares authorized, 57,571,469 shares issued and 36,675,789 outstanding at March 31, 2025 and 57,498,507 shares issued and 36,912,118 outstanding at December 31, 2024	575	574
Additional paid-in capital	280,452	279,423
Retained earnings	235,698	244,576
Treasury stock, 20,895,680 shares at March 31, 2025 and 20,586,389 shares at December 31, 2024, respectively	(227,047)	(225,883)
Accumulated other comprehensive loss	(20,477)	(21,893)
Total stockholders' equity	269,201	276,797
Total liabilities and stockholders' equity	<u>\$ 373,867</u>	<u>\$ 379,316</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended	
	March 31, 2025	March 31, 2024
(In thousands of U.S. dollars, except share data)		
Revenues:		
Net sales – Power solutions business	\$ 44,722	\$ 39,912
Net sales – transitional Fab 3 foundry services	—	3,526
Total revenues	44,722	43,438
Cost of sales:		
Cost of sales – Power solutions business	35,360	32,868
Cost of sales – transitional Fab 3 foundry services	—	4,211
Total cost of sales	35,360	37,079
Gross profit	9,362	6,359
Operating expenses:		
Selling, general and administrative expenses	9,714	9,540
Research and development expenses	5,936	6,210
Total operating expenses	15,650	15,750
Operating loss	(6,288)	(9,391)
Interest income	1,545	2,141
Interest expense	(449)	(185)
Foreign currency loss, net	(405)	(4,988)
Other income, net	114	44
Loss from continuing operations before income tax expense (benefit)	(5,483)	(12,379)
Income tax expense (benefit), net	(401)	1,905
Loss from continuing operations	(5,082)	(14,284)
Loss from discontinued operations, net of tax	(3,796)	(1,133)
Net loss	\$ (8,878)	\$ (15,417)
Basic loss per common share—		
Continuing operations	\$ (0.14)	\$ (0.37)
Discontinued operations	\$ (0.10)	\$ (0.03)
Total	\$ (0.24)	\$ (0.40)
Diluted loss per common share—		
Continuing operations	\$ (0.14)	\$ (0.37)
Discontinued operations	\$ (0.10)	\$ (0.03)
Total	\$ (0.24)	\$ (0.40)
Weighted average number of shares—		
Basic	36,887,841	38,544,781
Diluted	36,887,841	38,544,781

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)**

	<u>Three Months Ended</u>	
	<u>March 31,</u> <u>2025</u>	<u>March 31,</u> <u>2024</u>
	<u>(In thousands of U.S. dollars)</u>	
Net loss	\$ (8,878)	\$ (15,417)
Other comprehensive income (loss)		
Foreign currency translation adjustments	755	(3,497)
Derivative adjustments		
Fair valuation of derivatives	136	(605)
Reclassification adjustment for loss on derivatives included in net loss	525	59
Total other comprehensive income (loss)	<u>1,416</u>	<u>(4,043)</u>
Total comprehensive loss	<u>\$ (7,462)</u>	<u>\$ (19,460)</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)**

(In thousands of U.S. dollars, except share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
<b>Three Months Ended March 31, 2025:</b>							
<b>Balance at December 31, 2024</b>	36,912,118	\$ 574	\$279,423	\$244,576	\$(225,883)	\$ (21,893)	\$276,797
Stock-based compensation	—	—	1,030	—	—	—	1,030
Settlement of restricted stock units	72,962	1	(1)	—	—	—	—
Acquisition of treasury stock	(309,291)	—	—	—	(1,164)	—	(1,164)
Other comprehensive income, net	—	—	—	—	—	1,416	1,416
Net loss	—	—	—	(8,878)	—	—	(8,878)
<b>Balance at March 31, 2025</b>	<b>36,675,789</b>	<b>\$ 575</b>	<b>\$280,452</b>	<b>\$235,698</b>	<b>\$(227,047)</b>	<b>\$ (20,477)</b>	<b>\$269,201</b>
<b>Three Months Ended March 31, 2024:</b>							
<b>Balance at December 31, 2023</b>	38,852,742	\$ 569	\$273,256	\$298,884	\$(213,454)	\$ (14,657)	\$344,598
Stock-based compensation	—	—	900	—	—	—	900
Settlement of restricted stock units	37,179	0	(0)	—	—	—	—
Acquisition of treasury stock	(626,279)	—	—	—	(4,153)	—	(4,153)
Other comprehensive loss, net	—	—	—	—	—	(4,043)	(4,043)
Net loss	—	—	—	(15,417)	—	—	(15,417)
<b>Balance at March 31, 2024</b>	<b>38,263,642</b>	<b>\$ 569</b>	<b>\$274,156</b>	<b>\$283,467</b>	<b>\$(217,607)</b>	<b>\$ (18,700)</b>	<b>\$321,885</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Three Months Ended	
	March 31, 2025	March 31, 2024
(In thousands of U.S. dollars)		
<b>Cash flows from operating activities</b>		
Net loss	\$ (8,878)	\$ (15,417)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,273	4,099
Provision for severance benefits	1,514	1,405
Loss (gain) on foreign currency, net	(35)	10,226
Provision (reversal) for inventory reserves	1,208	(947)
Stock-based compensation	1,030	900
Deferred income taxes	(415)	1,313
Other, net	225	263
Changes in operating assets and liabilities		
Accounts receivable, net	635	1,401
Inventories	(3,259)	801
Other receivables	(811)	(385)
Prepaid expenses	1,233	905
Other current assets	970	331
Accounts payable	2,542	563
Other accounts payable	(2,622)	(5,256)
Accrued expenses	(111)	(2,045)
Accrued income taxes	(6)	167
Other current liabilities	(901)	(387)
Other non-current liabilities	354	(624)
Payment of severance benefits	(325)	(884)
Other, net	(290)	(401)
Net cash used in operating activities	(4,669)	(3,972)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(208)	(668)
Payment for intellectual property registration	(63)	(60)
Collection guarantee deposits	21	1,133
Payment of guarantee deposits	(139)	(1,874)
Other, net	—	1
Net cash used in investing activities	(389)	(1,468)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowing	—	30,059
Acquisition of treasury stock	(1,306)	(4,659)
Repayment of financing related to water treatment facility arrangement	(111)	(121)
Repayment of principal portion of finance lease liabilities	(38)	(35)
Net cash provided by (used in) financing activities	(1,455)	25,244
Effect of exchange rates on cash and cash equivalents	557	(6,294)
Net increase (decrease) in cash and cash equivalents	(5,956)	13,510
Cash and cash equivalents at beginning of period	138,610	158,092
Cash and cash equivalents at end of period	\$ 132,654	\$ 171,602
<b>Supplemental cash flow information</b>		
Cash paid for interest on long-term borrowing	\$ 321	\$ —
Cash paid (refund) for income taxes	\$ (337)	\$ 270
<b>Non-cash investing activities</b>		
Property, plant and equipment additions in other accounts payable	\$ 1,840	\$ 285
<b>Non-cash financing activities</b>		
Unsettled common stock repurchases	\$ 247	\$ —

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)**

**1. Business, Basis of Presentation and Significant Accounting Policies**

***Business***

Magnachip Semiconductor Corporation (together with its subsidiaries, the “Company”) is a designer and manufacturer of analog and mixed-signal power semiconductor platform solutions for various applications, including industrial, automotive, communication, consumer and computing.

The Company develops and manufactures Power discrete products and develops Power integrated circuit (“IC”) products. Power discrete products include metal oxide semiconductor field effect transistors (“MOSFETs”) and insulated-gate bipolar transistors (“IGBTs”) for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop personal computers (“PCs”), notebook PCs, tablet PCs, servers, other consumer electronics, as well as automotive and industrial applications such as power suppliers, e-bikes, solar inverters, LED lighting and motor drives. Power IC products include AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits (“PMICs”) and level shifter for a range of devices, including televisions, wearable devices, notebooks, tablet PCs and others consumer electronics, as well as automotive applications.

In 2024, the Power IC business was operated by Magnachip Mixed-Signal, Ltd. (“MMS”), which later transferred the business to Magnachip Semiconductor, Ltd. (“MSK”) effective January 1, 2025, pursuant to an intercompany business transfer agreement executed between MMS and MSK. The transfer was based on the mutual understanding that consolidating the Power IC and Power Analog Solutions businesses under a single company would create a more effective framework for expanding and strengthening the Company’s business for Power products.

***Basis of Presentation***

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). These interim consolidated financial statements include normal recurring adjustments and the elimination of all intercompany accounts and transactions which are, in the opinion of management, necessary to provide a fair statement of the Company’s financial condition and results of operations for the periods presented. These interim consolidated financial statements are presented in accordance with Accounting Standards Codification (“ASC”) 270, “Interim Reporting” and, accordingly, do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements, except for the changes below.

The Company has reclassified certain prior year amounts to conform to the current year’s presentation for discontinued operations to reflect a plan to shut down the Company’s Display business and transition into a pure-play Power company. The assets and liabilities related to the discontinued Display business have not been reclassified on the consolidated balance sheets as of March 31, 2025. See Note 2 “Discontinued Operations” for additional information. The consolidated statements of cash flows have not been adjusted to separately disclose cash flows related to discontinued operations, but the material items in the operating and investing activities of cash flows relating to discontinued operations are disclosed in Note 2. Unless otherwise stated, information in these notes to consolidated financial statements relates to the Company’s continuing operations and excludes the discontinued operations.

There have been no material changes to the Company’s significant accounting policies as of and for the three months ended March 31, 2025, except for those related to discontinued operations as described below, as compared to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

***Recent Accounting Pronouncements Not Yet Adopted***

In November 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2024-03, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses” (“ASU 2024-03”). Additionally, in January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to purchases of inventory, employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU 2024-03 is effective for

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## [Table of Contents](#)

public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and the amendments in this update may be applied prospectively or retrospectively. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which intends to enhance the transparency and decision usefulness of income tax disclosures. It requires public business entities to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

## 2. Discontinued Operations

On March 7, 2025, the Company’s Board of Directors authorized a strategy to transition to a pure-play Power company, focusing its investments on the Power Analog Solutions and Power IC businesses to enhance profitability and maximize shareholder value. As part of this strategy, the Company explored all strategic options including a sale, merger, joint venture, licensing, and wind-down for its Display business (Display IC products). However, the Company was not able to consummate a transaction following several months of discussions with several interested parties on terms that the Company’s Board of Directors believed were in the best interests of the Company and its stockholders.

Accordingly, on April 6, 2025, the Company’s Board of Directors unanimously approved the plan to shut down the Company’s Display business (the “Discontinued Business”), including the liquidation of MMS, the Company’s indirect wholly owned subsidiary that operated the discontinued Display business. After shutting down the Display business, the Company will provide limited support to satisfy remaining customer obligations including the sale of certain “end of life” (“EOL”) Display products, which will be conducted by MSK. The Company will maintain a small team to continue to support customers with respect to EOL Display products.

The following table summarizes the results from discontinued operations, net of tax, for the three months ended March 31, 2025 and 2024.

	<b>Three Months Ended</b>	
	<b>March 31, 2025</b>	<b>March 31, 2024</b>
<b>(In thousands of U.S. dollars)</b>		
Net sales	\$ 9,556	\$ 5,629
Cost of sales	6,439	3,020
Gross profit	3,117	2,609
Operating expenses:		
Selling, general and administrative expenses	1,032	1,724
Research and development expenses	5,782	4,953
Other charges	127	—
Total operating expenses	6,941	6,677
Operating loss from discontinued operations	(3,824)	(4,068)
Interest income	126	72
Interest expense	(94)	(53)
Foreign currency loss, net	(4)	(13)
Loss from discontinued operations before income tax benefit	(3,796)	(4,062)
Income tax benefit, net	—	(2,929)
Loss from discontinued operations, net of tax	\$ (3,796)	\$ (1,133)

The following table provides supplemental cash flows information related to discontinued operations (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Significant non-cash operating activities:		
Depreciation and amortization	\$ 11	\$ 358
Provision for severance benefits	207	310
Stock-based compensation	162	73
Investing activities:		
Capital expenditures	\$ —	\$ —

[Table of Contents](#)

### 3. Inventories

Inventories as of March 31, 2025 and December 31, 2024 consist of the following (in thousands):

	<u>March 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Finished goods	\$ 7,901	\$ 7,802
Semi-finished goods and work-in-process	29,743	26,797
Raw materials	3,540	3,607
Materials in-transit	203	61
Less: inventory reserve	(8,754)	(7,732)
Inventories, net	<u>\$ 32,633</u>	<u>\$ 30,535</u>

Changes in inventory reserve for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	<u>Three Months Ended</u>	
	<u>March 31,</u> <u>2025</u>	<u>March 31,</u> <u>2024</u>
Beginning balance	\$ (7,732)	\$ (10,599)
Change in reserve		
Inventory reserve charged to costs of sales	(2,299)	(1,550)
Sale of previously reserved inventory	1,268	2,661
	<u>(1,031)</u>	<u>1,111</u>
Write off	197	266
Translation adjustments	(188)	275
Ending balance	<u>\$ (8,754)</u>	<u>\$ (8,947)</u>

Inventory reserve represents the Company's best estimate in value lost due to excessive inventory level, physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Inventory reserve relates to inventory items including finished goods, semi-finished goods, work-in-process and raw materials. Write off of this reserve is recognized only when the related inventory has been disposed or scrapped.

## [Table of Contents](#)

### 4. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2025 and December 31, 2024 are comprised of the following (in thousands):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Buildings and related structures	\$ 21,925	\$ 21,873
Machinery and equipment	127,341	126,971
Finance lease right-of-use assets	608	606
Others	33,454	33,274
	<u>183,328</u>	<u>182,724</u>
Less: accumulated depreciation	(118,685)	(115,236)
Land	11,264	11,237
Construction in progress	4,382	2,738
Property, plant and equipment, net	<u>\$ 80,289</u>	<u>\$ 81,463</u>

Aggregate depreciation expenses associated with our continuing operations totaled \$3,191 thousand and \$3,655 thousand for the three months ended March 31, 2025 and 2024, respectively.

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company (“MSK”) and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank (“KDB”). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea in favor of KDB.

On December 16, 2024, MSK executed a Standard Credit Agreement (as amended) (together with its General Terms and Conditions, the “Equipment Financing Credit Agreement”) with KDB. In connection with the Equipment Financing Credit Agreement, on December 8, 2024, MSK amended the Kun-Pledge Agreement (the “Equipment Pledge Agreement”) with KDB, originally executed on or about March 26, 2024, to increase the maximum secured amount and to expand the scope of collateral to include certain machinery and equipment owned by MSK, which are located in its fabrication facility located in Gumi, Korea.

See “Note 11. Long-Term Borrowing” to these consolidated financial statements below for more information regarding the Loan Agreement.

### 5. Intangible Assets

Intangible assets as of March 31, 2025 and December 31, 2024 are comprised of the following (in thousands):

	<u>March 31, 2025</u>		
	<u>Gross amount</u>	<u>Accumulated amortization</u>	<u>Net amount</u>
Intellectual property assets	\$7,598	\$ (7,098)	\$ 500
Intangible assets	<u>\$7,598</u>	<u>\$ (7,098)</u>	<u>\$ 500</u>
	<u>December 31, 2024</u>		
	<u>Gross amount</u>	<u>Accumulated amortization</u>	<u>Net amount</u>
Intellectual property assets	\$7,599	\$ (7,092)	\$ 507
Intangible assets	<u>\$7,599</u>	<u>\$ (7,092)</u>	<u>\$ 507</u>

Aggregate amortization expenses associated with our continuing operations totaled \$71 thousand and \$86 thousand for the three months ended March 31, 2025 and 2024, respectively.

## 6. Leases

The Company has operating and finance leases for buildings and other assets such as vehicles and office equipment. The Company's leases have remaining lease terms ranging from one year to five years.

The tables below present financial information related to the Company's leases.

Supplemental balance sheets information related to leases as of March 31, 2025 and December 31, 2024 are as follows (in thousands):

Leases	Classification	March 31, 2025	December 31, 2024
<b>Assets</b>			
Operating lease	Operating lease right-of-use assets	\$ 3,602	\$ 3,107
Finance lease	Property, plant and equipment, net	355	390
<b>Total lease assets</b>		<u>\$ 3,957</u>	<u>\$ 3,497</u>
<b>Liabilities</b>			
Current			
Operating lease	Operating lease liabilities	\$ 1,693	\$ 1,393
Finance lease	Other current liabilities	156	153
Non-current			
Operating lease	Non-current operating lease liabilities	1,881	1,823
Finance lease	Other non-current liabilities	255	294
<b>Total lease liabilities</b>		<u>\$ 3,985</u>	<u>\$ 3,663</u>

The following table presents the weighted average remaining lease term and discount rate:

	March 31, 2025	December 31, 2024
<b>Weighted average remaining lease term</b>		
Operating leases	2.3 years	2.5 years
Finance leases	2.7 years	2.9 years
<b>Weighted average discount rate</b>		
Operating leases	6.6%	6.8%
Finance leases	7.1%	7.1%

The components of lease cost from continuing operations included in the Company's consolidated statements of operations, are as follows (in thousands):

	Three Months Ended	
	March 31, 2025	March 31, 2024
Operating lease cost	\$ 522	\$ 508
Finance lease cost		
Amortization of right-of-use assets	36	35
Interest on lease liabilities	7	10
<b>Total lease cost</b>	<u>\$ 565</u>	<u>\$ 553</u>

The above table does not include an immaterial cost of short-term leases for the three months ended March 31, 2025 and 2024.

## [Table of Contents](#)

Other lease information associated with continuing operations is as follows (in thousands):

	Three Months Ended	
	March 31, 2025	March 31, 2024
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 660	\$ 519
Operating cash flows from finance leases	7	10
Financing cash flows from finance leases	38	35

Non-cash transaction amounts of lease liabilities arising from obtaining right-of-use assets were \$966 thousand and \$625 thousand for the three months ended March 31, 2025 and 2024, respectively.

The aggregate future lease payments for operating and finance leases as of March 31, 2025 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2025	\$ 1,362	\$ 134
2026	1,607	167
2027	765	132
2028	111	18
2029	26	—
Total future lease payments	3,871	451
Less: Imputed interest	(297)	(40)
Present value of future payments	\$ 3,574	\$ 411

## 7. Accrued Expenses

Accrued expenses as of March 31, 2025 and December 31, 2024 are comprised of the following (in thousands):

	March 31, 2025	December 31, 2024
Payroll, benefits and related taxes, excluding severance benefits	\$ 5,413	\$ 5,518
Withholding tax attributable to intercompany interest income	1,759	1,419
Outside service fees	1,115	1,221
Others	509	490
Accrued expenses	\$ 8,796	\$ 8,648

## 8. Derivative Financial Instruments

The Company's Korean subsidiary, Magnachip Semiconductor, Ltd., from time to time has entered into zero cost collar contracts to hedge the risk of changes in the functional-currency-equivalent cash flows attributable to currency rate changes on U.S. dollar denominated revenues.

Details of the zero cost collar contracts as of March 31, 2025 are as follows (in thousands):

Date of transaction	Total notional amount	Month of settlement
July 09, 2024	\$ 18,000	April 2025 to September 2025
October 17, 2024	\$ 9,000	October 2025 to December 2025
February 03, 2025	\$ 9,000	January 2026 to March 2026

[Table of Contents](#)

Details of the zero cost collar contracts as of December 31, 2024 are as follows (in thousands):

<u>Date of transaction</u>	<u>Total notional amount</u>	<u>Month of settlement</u>
April 05, 2024	\$ 9,000	January 2025 to March 2025
July 09, 2024	\$ 18,000	April 2025 to September 2025
October 17, 2024	\$ 9,000	October 2025 to December 2025

The zero cost collar contracts qualify as cash flow hedges under ASC 815, “Derivatives and Hedging,” since at both the inception of the contracts and on an ongoing basis, the hedging relationship was and is expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the contracts.

The fair values of the Company’s outstanding zero cost collar contracts recorded as liabilities as of March 31, 2025 and December 31, 2024 are as follows (in thousands):

<u>Derivatives designated as hedging instruments:</u>		<u>March 31, 2025</u>	<u>December 31, 2024</u>
<u>Liability Derivatives:</u>			
Zero cost collars	Other current liabilities	\$ 1,321	\$ 1,956

Offsetting of derivative liabilities as of March 31, 2025 is as follows (in thousands):

<u>As of March 31, 2025</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of liabilities presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral pledged</u>	
<u>Liability Derivatives:</u>						
Zero cost collars	\$ 1,321	\$ —	\$ 1,321	\$ —	\$ (1,080)	\$ 241

Offsetting of derivative assets and liabilities as of December 31, 2024 is as follows (in thousands):

<u>As of December 31, 2024</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of liabilities presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral pledged</u>	
<u>Liability Derivatives:</u>						
Zero cost collars	\$ 1,956	\$ —	\$ 1,956	\$ —	\$ (1,080)	\$ 876

For derivative instruments that are designated and qualify as cash flow hedges, gains or losses on the derivative aside from components excluded from the assessment of effectiveness are reported as a component of accumulated other comprehensive income or loss (“AOCI”) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative, representing hedge components excluded from the assessment of effectiveness, are recognized in current earnings.

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the three months ended March 31, 2025 and 2024 (in thousands):

<u>Derivatives in ASC 815 Cash Flow Hedging Relationships</u>	<u>Amount of Gain (Loss) Recognized in AOCI on Derivatives</u>			<u>Location/Amount of Loss Reclassified from AOCI Into Statement of Operations</u>			<u>Location/Amount of Gain Recognized in Statement of Operations on Derivatives</u>	
	<u>Three Months Ended March 31,</u>			<u>Three Months Ended March 31,</u>			<u>Three Months Ended March 31,</u>	
	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>
Zero cost collars	\$ 136	\$ (605)	Net sales	\$ (525)	\$ (59)	Other income, net	\$ 29	\$ 25
	\$ 136	\$ (605)		\$ (525)	\$ (59)		\$ 29	\$ 25

## [Table of Contents](#)

As of March 31, 2025, the amount expected to be reclassified from accumulated other comprehensive loss into loss within the next 12 months is \$305 thousand.

The Company has set aside a cash deposit to the counterparty, Standard Chartered Bank Korea Limited (“SC”), as required for the zero cost collar contracts. This cash deposit is recorded as hedge collateral on the consolidated balance sheets. Cash deposits as of March 31, 2025 and December 31, 2024 are as follows (in thousands):

<u>Counterparty</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>
SC	\$ 1,000	\$ 1,000
Total	<u>\$ 1,000</u>	<u>\$ 1,000</u>

The Company is required to deposit additional cash collateral with Nomura Financial Investment (Korea) Co., Ltd. (“NFIK”) and SC for any exposure in excess of \$500 thousand, respectively. As of March 31, 2025 and December 31, 2024, \$1,080 thousand of additional cash collateral were required by NFIK and recorded as hedge collateral on the consolidated balance sheet.

These zero cost collar contracts may be terminated by the counterparties if the Company’s total cash and cash equivalents is less than \$30,000 thousand at the end of a fiscal quarter, unless a waiver is obtained.

[Table of Contents](#)**9. Fair Value Measurements***Fair Value of Financial Instruments*

As of March 31, 2025, the following table represents the Company's liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value March 31, 2025</u>	<u>Fair Value Measurement March 31, 2025</u>	<u>Quoted Prices in Active Markets for Identical Liability (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Liabilities:</b>					
Derivative liabilities (other current liabilities)	\$1,321	\$1,321	—	\$1,321	—

As of December 31, 2024, the following table represents the Company's liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value December 31, 2024</u>	<u>Fair Value Measurement December 31, 2024</u>	<u>Quoted Prices in Active Markets for Identical Liability (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Liabilities:</b>					
Derivative liabilities (other current liabilities)	\$1,956	\$1,956	—	\$1,956	—

Items not reflected in the table above include cash equivalents, accounts receivable, other receivables, accounts payable, and other accounts payable, fair value of which approximate carrying values due to the short-term nature of these instruments. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs. The carrying value of the Company's outstanding Term Loan approximates its fair value because its variable interest rate reflects the market rate for the respective periods. The fair value of this debt is categorized within Level 2 of the fair value hierarchy.

**10. Accrued Severance Benefits**

The majority of accrued severance benefits are for employees in the Company’s Korean subsidiaries. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of March 31, 2025, 95% of all employees of the Company were eligible for severance benefits.

Changes in accrued severance benefits are as follows (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Beginning balance	\$ 45,594	\$ 45,932
Provisions	1,514	1,405
Severance payments	(325)	(884)
Translation adjustments	103	(1,969)
	<u>46,886</u>	<u>44,484</u>
Less: Cumulative contributions to severance insurance deposit accounts	(28,821)	(28,954)
The National Pension Fund	(24)	(27)
Accrued severance benefits, net	<u>\$ 18,041</u>	<u>\$ 15,503</u>

The severance benefits funded through the Company’s National Pension Fund have been and will be used exclusively for payment of severance benefits to eligible employees. These amounts have been deducted from the accrued severance benefit balance.

Beginning in July 2018, the Company contributes to certain severance insurance deposit accounts a certain percentage of severance benefits that are accrued for eligible employees for their services from January 1, 2018 pursuant to Employee Retirement Benefit Security Act of Korea. These accounts consist of time deposits and other guaranteed principal and interest, and are maintained at insurance companies, banks or security companies for the benefit of employees. The Company deducts the contributions made to these severance insurance deposit accounts from its accrued severance benefits.

The Company is liable to pay the following future benefits to its non-executive employees upon their normal retirement age (in thousands):

	<b>Severance benefit</b>
2026	\$ 316
2027	\$ 557
2028	\$ 375
2029	\$ 3,063
2030	\$ 3,468
2031 – 2036	\$ 21,778

The above amounts were determined based on the non-executive employees’ current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to non-executive employees that will cease working with the Company before their normal retirement ages.

Korea’s mandatory retirement age is 60 years of age or older under the Employment Promotion for the Aged Act. The Company sets the retirement age of employees at 60.

## 11. Long-Term Borrowing

### *Term Loan*

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company (“MSK”) and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank (“KDB”). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea (“Fab 3 properties”) in favor of KDB.

The Loan Agreement provides for a working capital term loan (the “Term Loan”) of KRW 40,000,000,000 (approximately \$29,835 thousand based on the KRW/USD exchange rate of 1,340.7:1 as of March 26, 2024 as quoted by KEB Hana Bank), which was funded in full to MSK on March 26, 2024.

The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly. The initial interest rate on the Term Loan was 4.86% per annum. The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable. All obligations of MSK under the Loan Agreement and the Term Loan are secured by the Fab 3 properties pursuant to the Pledge Agreement.

As of March 31, 2025, approximately \$27,276 thousand aggregate principal amount of the Term Loan was outstanding.

### *CAPEX Loans*

On December 16, 2024, MSK executed a Standard Credit Agreement (as amended) (together with its General Terms and Conditions, the “Equipment Financing Credit Agreement”) with KDB. In connection with the Equipment Financing Credit Agreement, on December 8, 2024, MSK also amended the Kun-Pledge Agreement (the “Equipment Pledge Agreement”) with KDB, originally executed on or about March 26, 2024, to increase the maximum secured amount and to expand the scope of collateral to include certain machinery and equipment owned by MSK, which are located in its fabrication facility located in Gumi, Korea (“Fab 3 machinery and equipment”).

The Equipment Financing Credit Agreement provides for loans for MSK’s capital expenditures (the “CAPEX Loans”) up to an aggregate of KRW 38,000,000,000 (\$26,523 thousand based on the KRW/USD exchange rate of 1,432.7:1 as of December 16, 2024 as quoted by KEB Hana Bank), which will be funded directly to capital expenditure supply vendors by KDB upon the submission of a request form by MSK with the necessary evidence such as purchase agreement, invoice and other documentation, as applicable.

The CAPEX Loans will bear interest at a fixed rate quoted by the treasury bond market yield (a six-year Korea treasury bill rate). CAPEX Loans mature in ten years from the initial loan disbursement date (the “Maturity Date”), with an initial two-year (measured from the first loan disbursement date) interest-only payment period during which only interest is paid monthly, followed by eight years of amortizing payments where the principal is repaid in equal installments every three months and interest is paid monthly. The Equipment Financing Credit Agreement contains customary representations of MSK in connection with the execution of the agreement and with each borrowing of CAPEX Loans and customary terms and conditions for a secured equipment financing loan of this type in Korea. All obligations of MSK under the Equipment Financing Credit Agreement and CAPEX Loans are secured by certain Fab 3 machinery and equipment pursuant to the Equipment Pledge Agreement.

As of March 31, 2025, there were no CAPEX Loans outstanding under the Equipment Financing Credit Agreement.

## 12. Foreign Currency Loss, Net

Net foreign currency gain or loss includes non-cash translation gain or loss associated with intercompany balances. A substantial portion of the Company’s net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to MSK, one of the Company’s Korean subsidiaries. The loans are denominated in U.S. dollars and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of March 31, 2025 and December 31, 2024, the outstanding intercompany loan balances including accrued interest between MSK and the Dutch subsidiary were \$260,731 thousand and \$257,670 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,466.5:1 and 1,470.0:1 using the first base rate as of March 31, 2025 and December 31, 2024, respectively, as quoted by the KEB Hana Bank.

**13. Income Taxes**

The Company and its subsidiaries file income tax returns in Korea, Japan, Taiwan, the U.S. and in various other jurisdictions. The Company is subject to income or non-income tax examinations by tax authorities of these jurisdictions for all open tax years.

For the three months ended March 31, 2025, the Company recorded an income tax benefit of \$401 thousand, primarily related to its primary operating entity in Korea based on the estimated taxable loss for the respective period.

For the three months ended March 31, 2024, the Company recorded an income tax expense of \$1,905 thousand, primarily related to a deferred tax adjustment associated with the assets transferred between our Korean subsidiaries as an in-kind contribution.



[Table of Contents](#)

	Three Months Ended	
	March 31, 2025	March 31, 2024
<b>Gross Profit</b>		
Power solutions business		
Power Analog Solutions	\$ 7,100	\$ 5,634
Power IC	2,262	1,410
Total Power solutions business	\$ 9,362	\$ 7,044
Transitional Fab 3 foundry services	—	(685)
Total gross profit	\$ 9,362	\$ 6,359

The following is a summary of net sales – Power solutions business by geographic region, based on the location to which the products are billed (in thousands):

	Three Months Ended	
	March 31, 2025	March 31, 2024
Korea	\$ 21,716	\$ 17,091
Asia Pacific (other than Korea)	20,992	21,089
United States	1,182	338
Europe	832	1,394
Total	\$ 44,722	\$ 39,912

For the three months ended March 31, 2025 and 2024, of the Company's net sales – Power solutions business in Asia Pacific (other than Korea), net sales – Power solutions business in China and Hong Kong together represented 83.1% and 81.3%, respectively, and net sales – Power solutions business in Taiwan represented 11.3% and 12.0%, respectively.

Net sales from the Company's top ten largest customers in the Power solutions business accounted for 75% and 74% for the three months ended March 31, 2025 and 2024, respectively.

For the three months ended March 31, 2025, the Company had one customer that represented 32.9% of its net sales – Power solutions business. For the three months ended March 31, 2024, the Company had three customers that represented 28.1%, 10.6% and 10.1% of its net sales – Power solutions business, respectively.

As of March 31, 2025, one customer of the Company's Power solutions business accounted for 45.5% of its accounts receivable – Power solutions business. As of December 31, 2024, one customer of the Company's Power solutions business accounted for 42.3% of its accounts receivable – Power solutions business.

## 15. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following as of March 31, 2025 and December 31, 2024, respectively (in thousands):

	March 31, 2025	December 31, 2024
Foreign currency translation adjustments	\$(20,172)	\$ (20,927)
Derivative adjustments	(305)	(966)
<b>Total</b>	<b><u>\$(20,477)</u></b>	<b><u>\$ (21,893)</u></b>

Changes in accumulated other comprehensive loss for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Foreign currency translation adjustments	Derivative adjustments	Total
<b>Three Months Ended March 31, 2025</b>			
Beginning balance	\$ (20,927)	\$ (966)	\$(21,893)
Other comprehensive income before reclassifications	755	136	891
Amounts reclassified from accumulated other comprehensive loss	—	525	525
Net current-period other comprehensive income	755	661	1,416
Ending balance	<u>\$ (20,172)</u>	<u>\$ (305)</u>	<u>\$(20,477)</u>

	Foreign currency translation adjustments	Derivative adjustments	Total
<b>Three Months Ended March 31, 2024</b>			
Beginning balance	\$ (15,348)	\$ 691	\$(14,657)
Other comprehensive loss before reclassifications	(3,497)	(605)	(4,102)
Amounts reclassified from accumulated other comprehensive loss	—	59	59
Net current-period other comprehensive loss	(3,497)	(546)	(4,043)
Ending balance	<u>\$ (18,845)</u>	<u>\$ 145</u>	<u>\$(18,700)</u>

## 16. Stock Repurchase

### *Stock Repurchase Program*

On July 19, 2023, the Board of Directors authorized a \$50 million stock buyback program. Purchases have been and will be made in the open market or in privately negotiated transactions, depending upon market conditions and other factors.

From August 2023 to December 2023, the Company repurchased 1,730,173 shares of its common stock in the open market for an aggregate purchase price of \$13.6 million and a weighted average price per share of \$7.84 under the stock repurchase program.

From January 2024 to December 2024, the Company repurchased 2,349,811 shares of its common stock in the open market for an aggregate purchase price of \$11.8 million and a weighted average price per share of \$5.04 under the stock repurchase program.

From January 2025 to March 2025, the Company repurchased 296,835 shares of its common stock in the open market for an aggregate purchase price of \$1.1 million and a weighted average price per share of \$3.70 under the stock repurchase program.

[Table of Contents](#)

**17. Loss Per Share**

The following table illustrates the computation of basic and diluted loss per common share for the three months ended March 31, 2025 and 2024:

	<b>Three Months Ended</b>	
	<b>March 31, 2025</b>	<b>March 31, 2024</b>
<b>(In thousands of U.S. dollars, except share data)</b>		
<b>Basic loss per common share</b>		
Loss from continuing operations	\$ (5,082)	\$ (14,284)
Loss from discontinued operations, net of tax	(3,796)	(1,133)
Net loss	<u>\$ (8,878)</u>	<u>\$ (15,417)</u>
Basic weighted average common stock outstanding	36,887,841	38,544,781
<b>Basic loss per common share</b>		
Continuing operations	\$ (0.14)	\$ (0.37)
Discontinued operations	(0.10)	(0.03)
Total	<u>\$ (0.24)</u>	<u>\$ (0.40)</u>
<b>Diluted loss per common share</b>		
Loss from continuing operations	\$ (5,082)	\$ (14,284)
Loss from discontinued operations, net of tax	(3,796)	(1,133)
Net loss allocated to common stockholders	<u>\$ (8,878)</u>	<u>\$ (15,417)</u>
Basic weighted average common stock outstanding	36,887,841	38,544,781
Net effect of dilutive equity awards	—	—
Diluted weighted average common stock outstanding	36,887,841	38,544,781
<b>Diluted loss per common share</b>		
Continuing operations	\$ (0.14)	\$ (0.37)
Discontinued operations	(0.10)	(0.03)
Total	<u>\$ (0.24)</u>	<u>\$ (0.40)</u>

Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share for the potentially dilutive impact of stock options and restricted stock units. As the Company has reported loss from continuing operations for the three months ended March 31, 2025 and 2024, all potentially dilutive securities are antidilutive and accordingly not considered, therefore basic loss per common share equals diluted loss per common share.

The following outstanding instruments were excluded from the computation of diluted loss per common share, as they have an anti-dilutive effect on the calculation:

	<b>Three Months Ended</b>	
	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Options	728,792	757,858
Restricted Stock Units	1,783,538	922,307

**18. Commitments and Contingencies**

*Advances to Suppliers*

The Company, from time to time, may make advances in form of prepayments or deposits to suppliers, including external foundries, to meet its planned production. The Company recorded advances of \$2,262 thousand and \$2,294 thousand as other current assets as of March 31, 2025 and December 31, 2024, respectively.

**19. Subsequent Events**

*Stock Repurchase*

In April 2025, the Company repurchased 612,184 shares of its common stock in the open market for an aggregate purchase price of \$1.9 million and a weighted average price per share of \$3.02 under the stock repurchase program.

## FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended, that involve risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. All statements other than statements of historical facts included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements.

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in this section, in “Part II: Item 1A. Risk Factors” herein and in “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2024 filed on March 14, 2025 (“2024 Form 10-K”).

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

Statements made in this Report, unless the context otherwise requires, that include the use of the terms “we,” “us,” “our” and “Magnachip” refer to Magnachip Semiconductor Corporation and its consolidated subsidiaries. The term “Korea” refers to the Republic of Korea or South Korea.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and the related notes included elsewhere in this Report.*

### Overview

We are a designer and manufacturer of analog and mixed-signal power semiconductor platform solutions for various applications, including industrial, automotive, communication, consumer and computing. We have a proven record with approximately 45 years of operating history, a portfolio of approximately 1,000 registered patents and pending applications and extensive engineering and manufacturing process expertise.

We develop and manufacture Power discrete products and develop Power integrated circuit (“IC”) products. Power discrete products include metal oxide semiconductor field effect transistors (“MOSFETs”) and insulated-gate bipolar transistors (“IGBTs”) for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop personal computers (“PCs”), notebook PCs, tablet PCs, servers, other consumer electronics, as well as automotive and industrial applications such as power suppliers, e-bikes, solar inverters, LED lighting and motor drives. Power IC products include AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits (“PMICs”) and level shifter for a range of devices, including televisions, wearable devices, notebooks, tablet PCs and others consumer electronics, as well as automotive applications.

In 2024, the Power IC business was operated by Magnachip Mixed-Signal, Ltd. (“MMS”), which later transferred the business to Magnachip Semiconductor, Ltd. (“MSK”) effective January 1, 2025, pursuant to an intercompany business transfer agreement executed between MMS and MSK. The transfer was based on the mutual understanding that consolidating the Power IC and Power Analog Solutions businesses under a single company would create a more effective framework for expanding and strengthening the Company’s business for Power products. We refer to the Power Analog Solutions and Power IC businesses collectively as the Power solutions business.

On March 7, 2025, our Board of Directors authorized a strategy to transition into a pure-play Power company, focusing its investments on the Power Analog Solutions and Power IC businesses to enhance profitability and maximize shareholder value. As part of this strategy, we explored all strategic options including a sale, merger, joint venture, licensing, and wind-down for its Display business (Display IC products). However, we were not able to consummate any transaction following several months of discussions with several interested parties on terms that our Board of Directors believed were in the best interests of the Company and our stockholders.

Accordingly, on April 6, 2025, our Board of Directors unanimously approved the plan to shut down our Display business (the “Discontinued Business”), including the liquidation of MMS, our indirect wholly owned subsidiary that operated the discontinued Display business. For additional information regarding the announcement of our plan to shut down display business, *see the Company’s Current Report on Form 8-K filed on April 8, 2025*. As a result of the Discontinued Business and the cessation of transitional Fab 3 foundry services, our results from continuing operations in future periods will consist solely of the Power solutions business.

Our wide variety of analog and mixed-signal power semiconductor products combined with our mature technology platform allow us to address multiple high-growth end markets and rapidly develop and introduce new products and services in response to market demands. Our design center in Korea and global manufacturing operations place us at the core of the global electronics device supply chain. We believe this enables us to quickly and efficiently respond to our customers’ needs, and allows us to better serve and capture additional demand from existing and new customers. Certain of our Power IC products are produced using an external foundry. Through a strategic cooperation with an external foundry, we manage to ensure outsourcing wafers at competitive price and produce quality products.

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

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

Demand for our products and services is driven by overall demand for industrial, automotive, communication, consumer and computing products and can be adversely affected by periods of weak consumer and enterprise spending or by market share losses by our customers. In order to mitigate the impact of market volatility on our business, we continually strive to diversify our portfolio of products, customers, and target applications. We also expect that new competitors will emerge in these markets that may place increased pressure on the pricing for our products and services. While we believe we are well positioned competitively to compete in these markets and against these new competitors as a result of our long operating history, existing manufacturing capacity and our worldwide customer base, if we are not effective in competing in these markets, our operating results may be adversely affected.

Net sales for our Power Analog Solutions and Power IC business are driven by design wins in which we are selected by an electronics original equipment manufacturer (“OEM”) or other potential customer to supply its demand for a particular product. A customer will often have more than one supplier designed into multi-source components for a particular product line. Once we have design wins and the products enter into mass production, we often specify the pricing of a particular product for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which our products are used, the inventory levels maintained by our customers and, in some cases, allocation of demand for components for a particular product among selected qualified suppliers.

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

Our Power Analog Solutions and Power IC business requires investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. Many of these processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment for those products, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. In addition, we are less likely to experience significant industry overcapacity, which can cause product prices to decline significantly. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. In addition, we outsource manufacturing of Power IC products which do require advanced technology and 8-inch wafer capacity. We believe this balanced capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

By outsourcing manufacturing of Power IC products to an external foundry, we have been able to adapt dynamically to changing customer requirements and address growing markets without substantial capital investments by us. However, relying on an external foundry exposes us to the risk of being unable to secure manufacturing capacity, particularly during the global shortage of foundry services. Although we work to diversify the sourcing of external manufacturing, if these efforts are at any time unsuccessful, our ability to deliver products to our customers may be negatively impacted, which would adversely affect our relationship with customers and opportunities to secure new design-wins.

Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a significant change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers enhance our awareness of new product opportunities, market and technology trends and improve our ability to adapt and grow successfully.

## Recent Developments

### *Shut-Down of Display business*

On March 7, 2025, our Board of Directors authorized a strategy to transition to a pure-play Power company, focusing its investments on the Power Analog Solutions and Power IC businesses to enhance profitability and maximize shareholder value. As part of this strategy, we explored all strategic options including a sale, merger, joint venture, licensing, and wind-down for its Display business (Display IC products). However, we were not able to consummate a transaction following several months of discussions with several interested parties on terms that our Board of Directors believed were in the best interests of the Company and our stockholders.

Accordingly, on April 6, 2025, our Board of Directors unanimously approved the plan to shut down our Display business (the “Discontinued Business”) by the end of the second quarter of 2025, including the liquidation of MMS, our indirect wholly owned subsidiary that operated the discontinued Display business. For additional information regarding the announcement of our plan to shut down display business, *see the Company’s Current Report on Form 8-K filed on April 8, 2025*.

After shutting down the Display business, we will provide limited support for remaining customer obligations including the sale of “end of life” (“EOL”) Display products, which will be conducted by MSK. We will maintain a small team to continue to support customers with respect to EOL Display products. The sale of EOL Display products and the potential monetization of the intellectual property assets of the discontinued Display business are currently expected to generate cash inflow of approximately \$15 million to \$20 million over a period of approximately 2 years after completion of the liquidation, depending upon the demand of customers and the outcome of the monetization efforts of the Display intellectual property assets.

The total estimated cash cost of the liquidation is approximately \$12 to \$15 million, which is expected to be offset by the cash inflow that we will generate as described above. The one-time liquidation cost is expected to consist of statutory severance and other employee-related costs, contract termination charges and other associated costs. Of this estimated total cash cost, approximately \$4.5 million represents the net statutory severance, required by law, which have already been fully accrued in our consolidated financial statements. We expect to recognize substantially all of these charges, excluding the already fully-accrued net statutory severance of \$4.5 million, in the quarter ending June 30, 2025.

### *CAPEX Loans*

On December 16, 2024, MSK executed a Standard Credit Agreement (as amended) (together with its General Terms and Conditions, the “Equipment Financing Credit Agreement”) with Korea Development Bank (“KDB”). In connection with the Equipment Financing Credit Agreement, on December 8, 2024, MSK amended the Kun-Pledge Agreement (the “Equipment Pledge Agreement”) with KDB, originally executed on or about March 26, 2024, to increase the maximum secured amount and to expand the scope of collateral to include certain machinery and equipment owned by MSK, which are located in its fabrication facility located in Gumi, Korea (“Fab 3 machinery and equipment”).

The Equipment Financing Credit Agreement provides for loans for MSK’s capital expenditures (the “CAPEX Loans”) up to an aggregate of KRW 38,000,000,000 (\$26.5 million based on the KRW/USD exchange rate of 1,432.7:1 as of December 16, 2024 as quoted by KEB Hana Bank), which will be funded directly to capital expenditure supply vendors by KDB upon the submission of a request form by MSK with the necessary evidence such as purchase agreement, invoice and other documentation, as applicable.

The CAPEX Loans will bear interest at a fixed rate quoted by the treasury bond market yield (a six-year Korea treasury bill rate). CAPEX Loans mature in ten years from the initial loan disbursement date, with an initial two-year (measured from the first loan disbursement date) interest-only payment period during which only interest is paid monthly, followed by eight years of amortizing payments where the principal is repaid in equal installments every three months and interest is paid monthly. The Equipment Financing Credit Agreement contains customary representations of MSK in connection with the execution of the agreement and with each borrowing of CAPEX Loans and customary terms and conditions for a secured equipment financing loan of this type in Korea. All obligations of MSK under the Equipment Financing Credit Agreement and CAPEX Loans are secured by certain Fab 3 machinery and equipment pursuant to the Equipment Pledge Agreement.

### *Loan Agreement*

On March 26, 2024, MSK executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with KDB. In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea (“Fab 3 properties”) in favor of KDB.

The Loan Agreement provides for a working capital term loan (the “Term Loan”) of KRW 40,000,000,000 (approximately \$29.8 million based on the KRW/USD exchange rate of 1,340.7:1 as of March 26, 2024 as quoted by KEB Hana Bank), which was funded in full to MSK on March 26, 2024.

The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly. The initial interest rate on the Term Loan was 4.86% per annum. The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable. All obligations of MSK under the Loan Agreement and the Term Loan are secured by the Fab 3 properties pursuant to the Pledge Agreement.

### ***Macroeconomic Industry Conditions***

The semiconductor industry continues to face a number of macroeconomic challenges, including rising inflation, increased interest rates, supply chain disruptions, inventory corrections, shifting customer and end-user demand, fluctuations in currency rates, and geopolitical tensions, including without limitation ongoing conflicts involving Russia and Ukraine, sustained military action and conflicts in the Middle East, and trade conflicts or trade wars (especially those between the United States and China) including those arising directly or indirectly from tariffs recently imposed by the United States, any one or more of which may cause (if they have not already caused) volatility and unpredictability in the supply chain or market for semiconductor products and end-user demand. The length and severity of these macroeconomic events and their overall impact on our business, results of operations and financial condition remain uncertain.

### ***Developments in Export Control Regulations***

On October 7, 2022, the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce published changes to U.S. export control regulations (U.S. Export Regulations), including new restrictions on Chinese entities’ ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. Further, on October 12, 2022, a new rule went into effect requiring U.S. persons to obtain a license prior to engaging in certain activities that could “support” certain end-uses and end-users, including those related to weapons of mass destruction. Additionally, on October 21, 2022, BIS brought into effect a series of new Foreign Direct Product (FDP) rules and various new controls on advanced computing items, significantly expanding the scope of items that are subject to export control under the U.S. Export Regulations. More recently, on October 25, 2023, BIS published additional rules, which went into effect on November 17, 2023 to expand, clarify, and correct the rules published in October 2022. A further corrected and clarified version of these rules went into effect on April 4, 2024. On January 16, 2025, BIS published amendments and clarifications of the U.S. Export Regulations which further tightened controls of advanced computing items. Based on our understanding of the U.S. Export Regulations and related rules currently in effect, we do not anticipate that they will have a material impact on our current business, but we will continue reviewing and assessing these rules and regulations and their potential impact on our business. Additional changes to the U.S. Export Regulations are expected, such as recently proposed rule changes that may expand restrictions on export transactions involving end users or end uses with military connections; but the scope or timing of such changes is uncertain. We will continue to monitor such developments, including potential additional trade restrictions, and other regulatory or policy changes by the U.S. and foreign governments.

## Explanation and Reconciliation of Non-U.S. GAAP Measures

### Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss)

We use the terms Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) (including on a per share basis) in this Report. Adjusted EBITDA, as we define it, is a non-U.S. GAAP measure. We define Adjusted EBITDA for the periods indicated as EBITDA (as defined below), adjusted to exclude (i) equity-based compensation expense, (ii) foreign currency loss, net and (iii) derivative valuation gain, net. EBITDA for the periods indicated is defined as net income (loss) before interest income, interest expense, income tax expense (benefit), and depreciation and amortization.

See the footnotes to the table below for further information regarding these items. We present Adjusted EBITDA as a supplemental measure of our performance because:

- we believe that Adjusted EBITDA, by eliminating the impact of a number of items that we do not consider to be indicative of our core ongoing operating performance, provides a more comparable measure of our operating performance from period-to-period and may be a better indicator of future performance;
- we believe that Adjusted EBITDA is commonly requested and used by securities analysts, investors and other interested parties in the evaluation of a company as an enterprise level performance measure that eliminates the effects of financing, income taxes and the accounting effects of capital spending, as well as other one time or recurring items described above; and
- we believe that Adjusted EBITDA is useful for investors, among other reasons, to assess a company's period-to-period core operating performance and to understand and assess the manner in which management analyzes operating performance.

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.

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 U.S. GAAP and should not be construed as an alternative to income (loss) from continuing operations or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of liquidity. A reconciliation of loss to Adjusted EBITDA from continuing operations is as follows:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(Dollars in millions)	
Loss from continuing operations	\$ (5.1)	\$ (14.3)
Interest income	(1.5)	(2.1)
Interest expense	0.4	0.2
Income tax expense (benefit)	(0.4)	1.9
Depreciation and amortization	3.3	3.7
EBITDA from continuing operations	(3.3)	(10.6)
Adjustments:		
Equity-based compensation expense(a)	0.9	0.8
Foreign currency loss, net(b)	0.4	5.0
Derivative valuation gain, net(c)	(0.0)	(0.0)
Adjusted EBITDA from continuing operations	<u>\$ (2.1)</u>	<u>\$ (4.8)</u>

- (a) 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, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. 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.
- (b) This adjustment mainly 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, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents 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 U.S. dollars, 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 U.S. 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 need 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 U.S. GAAP results and using Adjusted EBITDA only supplementally.

We present Adjusted Operating Income (Loss) as supplemental measures of our performance. We prepare Adjusted Operating Income (Loss) by adjusting operating income (loss) to eliminate the impact of equity-based compensation 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 Operating Income (Loss) is useful to investors to provide a supplemental way to understand our underlying operating performance and allows investors to monitor and understand changes in our ability to generate income (loss) from ongoing business operations.

Adjusted Operating Income (Loss) is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to operating income (loss), income (loss) from continuing operations or any other performance measure derived in accordance with U.S. GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Operating Income (Loss) differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Operating Income (Loss), you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Operating Income (Loss) for the periods indicated as operating income (loss) adjusted to exclude equity-based compensation expense.

The following table summarizes the adjustments to operating loss that we make in order to calculate Adjusted Operating Loss for the periods indicated:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(Dollars in millions)	
Operating loss	\$ (6.3)	\$ (9.4)
Adjustments:		
Equity-based compensation expense(a)	0.9	0.8
Adjusted Operating Loss	<u>\$ (5.4)</u>	<u>\$ (8.6)</u>

- (a) 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, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. 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.

We present Adjusted Net Income (Loss) (including on a per share basis) as a further supplemental measure of our performance. We prepare Adjusted Net Income (Loss) (including on a per share basis) 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 (Loss) (including on a per share basis) is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance. We present Adjusted Net Income (Loss) (including on a per share basis) for a number of reasons, including:

- we use Adjusted Net Income (Loss) (including on a per share basis) in communications with our Board of Directors concerning our consolidated financial performance without the impact of non-cash expenses and the other items as we discussed below since we believe that it is a more consistent measure of our core operating results from period to period; and
- we believe that reporting Adjusted Net Income (Loss) (including on a per share basis) is useful to readers in evaluating our core operating results because it eliminates the effects of non-cash expenses as well as the other items we discuss below, such as foreign currency gains and losses, which are out of our control and can vary significantly from period to period.

Adjusted Net Income (Loss) (including on a per share basis) is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to income (loss) from continuing operations or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of liquidity. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income (Loss) (including on a per share basis) differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income (Loss) (including on a per share basis), you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income (Loss) (including on a per share basis); for the periods indicated as net income (loss), adjusted to exclude (i) equity-based compensation expense, (ii) foreign currency loss, net, (iii) derivative valuation gain, net and (iv) income tax effect on non-GAAP adjustments.

The following table summarizes the adjustments to loss from continuing operations that we make in order to calculate Adjusted Loss (including on a per share basis) from continuing operations for the periods indicated:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(Dollars in millions, except per share data)	
Loss from continuing operations	\$ (5.1)	\$ (14.3)
Adjustments:		
Equity-based compensation expense(a)	0.9	0.8
Foreign currency loss, net(b)	0.4	5.0
Derivative valuation gain, net(c)	(0.0)	(0.0)
Income tax effect on non-GAAP adjustments(d)	0.0	(1.3)
Adjusted Loss from continuing operations	<u>\$ (3.8)</u>	<u>\$ (9.8)</u>
Reported loss per share—basic	\$ (0.14)	\$ (0.37)
Reported loss per share—diluted	\$ (0.14)	\$ (0.37)
Weighted average number of shares—basic	36,887,841	38,544,781
Weighted average number of shares—diluted	36,887,841	38,544,781
Adjusted loss per share—basic	\$ (0.10)	\$ (0.26)
Adjusted loss per share—diluted	\$ (0.10)	\$ (0.26)
Weighted average number of shares—basic	36,887,841	38,544,781
Weighted average number of shares—diluted	36,887,841	38,544,781

- (a) 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, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. 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.

- (b) This adjustment mainly 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, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents 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 U.S. dollars, 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.
- (d) For the three months ended March 31, 2025 and 2024, income tax effect on non-GAAP adjustments were calculated by calculating the tax expense of each jurisdiction with or without the non-GAAP adjustments. For the three months ended March 31, 2024, income tax effect on non-GAAP adjustments related to our Korean subsidiary and the U.S. parent entity were negative \$1.1 million and negative \$0.3 million, respectively.

We believe that all adjustments to income (loss) from continuing operations used to calculate Adjusted Net Income (Loss) from continuing operations was applied consistently to the periods presented.

Adjusted Net Income (Loss) 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 U.S. GAAP. Some of these limitations are:

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

Because of these limitations, Adjusted Net Income (Loss) should not be considered as a measure of profitability of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted Net Income (Loss) only as a supplement.

## Factors Affecting Our Results of Operations

**Net Sales.** We derive substantially all of our sales (net of sales returns and allowances) from our Power solutions business. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our fabrication facility in Korea for fulfillment. We have strategically located our sales offices near concentrations of major customers. Our sales offices are located in Korea, Japan, Taiwan and Greater China. Our network of authorized agents and distributors is in the United States, Europe and the Asia Pacific region.

We recognize revenue when a customer obtains control of the product, which is generally upon product shipment, delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the three months ended March 31, 2025 and 2024, we sold products to 140 and 122 customers, respectively, and our net sales to our ten largest customers represented 75% and 74% of our net sales – Power solutions business, respectively.

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

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

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

**Labor Costs.** A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of March 31, 2025, 95% of our employees were eligible for severance benefits.

**Depreciation Expense.** We periodically evaluate the carrying values of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. We depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to 3-12 years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying value of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

**Selling Expenses.** We sell our products worldwide through a direct sales force as well as a network of sales agents and representatives to OEMs, including major branded customers and contract manufacturers, and indirectly through distributors. Selling expenses consist primarily of the personnel costs for the members of our direct sales force, a network of sales representatives and other costs of distribution. Personnel costs include base salary, benefits and incentive compensation.

**General and Administrative Expenses.** General and administrative expenses consist of the costs of various corporate operations, including finance, legal, human resources and other administrative functions. These expenses primarily consist of payroll-related expenses, consulting and other professional fees and office facility-related expenses.

**Research and Development.** The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses of our Power IC business are material and design-related costs for Power IC products. Power IC uses standard BCD process technologies which can be sourced from multiple foundries. The majority of research and development expenses of our Power discrete business are certain equipment, material and design-related costs for Power discrete products.

**Impact of Foreign Currency Exchange Rates on Reported Results of Operations.** Historically, a portion of our revenues and cost of sales and greater than the majority of our operating expenses have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars converted from our non-U.S. revenues and expenses based on monthly average exchange rates, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the U.S. dollar as a substantial portion of non-cash translation gain or loss is associated with the intercompany long-term loans to one of our Korean subsidiaries, Magnachip Semiconductor, Ltd. or MSK, which is denominated in U.S. dollars. As of March 31, 2025, the outstanding intercompany loan balance including accrued interest between MSK and our Dutch subsidiary was \$260.7 million. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. Our Korean subsidiary, Magnachip Semiconductor, Ltd., enters into foreign currency zero cost collar contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. Obligations under these foreign currency zero cost collar contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These zero cost collar contracts may be terminated by a counterparty in a number of circumstances, including if our total cash and cash equivalents is less than \$30.0 million at the end of a fiscal quarter unless a waiver is obtained from the counterparty. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations.

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

**Income Taxes.** We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax basis of our assets and liabilities. We exercise significant management judgment in determining our provision for income taxes, deferred tax assets and liabilities. We assess whether it is more likely than not that the deferred tax assets existing at the period-end will be realized in future periods. In such assessment, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent results of operations. In the event we were to determine that we would be able to realize the deferred income tax assets in the future in excess of their net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

We are subject to income-or non-income-based tax examinations by tax authorities of the U.S., Korea and multiple other foreign jurisdictions for all open tax years. Significant estimates and judgments are required in determining our worldwide provision for income-or non-income based taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

**Capital Expenditures.** We primarily invest in manufacturing equipment, software design tools and other tangible assets mainly for fabrication facility maintenance, capacity expansion and technology improvement. Capacity expansions and technology improvements typically occur in anticipation of increases in demand. We typically pay for capital expenditures in partial installments with portions due on order, delivery and final acceptance. Our capital expenditures mainly include our payments for the purchase of property, plant and equipment.

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

## Results of Operations – Comparison of Three Months Ended March 31, 2025 and 2024

The following table sets forth consolidated results of operations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – Power solutions business	\$ 44.7	100.0%	\$ 39.9	91.9%	\$ 4.8
Net sales – transitional Fab 3 foundry services	—	—	3.5	8.1	(3.5)
Total revenues	44.7	100.0	43.4	100.0	1.3
<b>Cost of sales</b>					
Cost of sales – Power solutions business	35.4	79.1	32.9	75.7	2.5
Cost of sales – transitional Fab 3 foundry services	—	—	4.2	9.7	(4.2)
Total cost of sales	35.4	79.1	37.1	85.4	(1.7)
Gross profit	9.4	20.9	6.4	14.6	3.0
Selling, general and administrative expenses	9.7	21.7	9.5	22.0	0.2
Research and development expenses	5.9	13.3	6.2	14.3	(0.3)
Operating loss	(6.3)	(14.1)	(9.4)	(21.6)	3.1
Interest income	1.5	3.5	2.1	4.9	(0.6)
Interest expense	(0.4)	(1.0)	(0.2)	(0.4)	(0.3)
Foreign currency loss, net	(0.4)	(0.9)	(5.0)	(11.5)	4.6
Others, net	0.1	0.3	0.0	0.1	0.1
	0.8	1.8	(3.0)	(6.9)	3.8
Loss from continuing operations before income tax expense (benefit)	(5.5)	(12.3)	(12.4)	(28.5)	6.9
Income tax expense (benefit), net	(0.4)	(0.9)	1.9	4.4	(2.3)
Loss from continuing operations	(5.1)	(11.4)	(14.3)	(32.9)	9.2
Loss from discontinued operations, net of tax	(3.8)	(8.5)	(1.1)	(2.6)	(2.7)
Net loss	\$ (8.9)	(19.9)	\$ (15.4)	(35.5)	\$ 6.5

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – Power solutions business					
Power Analog Solutions	\$ 39.9	89.1%	\$ 36.5	84.1%	\$ 3.3
Power IC	4.9	10.9	3.4	7.8	1.5
Total Power solutions business	44.7	100.0	39.9	91.9	4.8
Net sales – transitional Fab 3 foundry services	—	—	3.5	8.1	(3.5)
Total revenues	\$ 44.7	100.0%	\$ 43.4	100.0%	\$ 1.3

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
(Dollars in millions)					
<b>Gross Profit</b>					
Gross profit – Power solutions business					
Power Analog Solutions	\$ 7.1	17.8%	\$ 5.6	15.4%	\$ 1.5
Power IC	2.3	46.5	1.4	41.8	0.9
Total Power solutions business	9.4	20.9%	7.0	17.6%	2.3
Gross profit – transitional Fab 3 foundry services	—	—	(0.7)	(19.4)	0.7
Total gross profit	<u>\$ 9.4</u>	<u>20.9%</u>	<u>\$ 6.4</u>	<u>14.6%</u>	<u>\$ 3.0</u>

### Revenues

Total revenues were \$44.7 million for the three months ended March 31, 2025, a \$1.3 million, or 3.0%, increase compared to \$43.4 million for the three months ended March 31, 2024. This increase was primarily due to an increase in revenue related to our Power solutions business as described below.

**The Power solutions business.** Net sales from our Power solutions business were \$44.7 million for the three months ended March 31, 2025, a \$4.8 million, or 12.1%, increase compared to \$39.9 million for the three months ended March 31, 2024. The increase in net sales from our Power solutions business line was attributable to a higher demand for power products such as MOSFETs in the communication applications. A higher demand for our Power IC products, primarily for televisions and OLED IT devices, also had a favorable impact on net sales.

### Gross Profit

Total gross profit was \$9.4 million for the three months ended March 31, 2025 compared to \$6.4 million for the three months ended March 31, 2024, a \$3.0 million, or 47.2%, increase. Gross profit as a percentage of net sales for the three months ended March 31, 2025 increased to 20.9% compared to 14.6% for the three months ended March 31, 2024. The increase in gross profit and gross profit as a percentage of net sales was primarily due to our Power solutions business as further described below.

**The Power solutions business.** Gross profit from our Power solutions business was \$9.4 million for the three months ended March 31, 2025, which represented a \$2.3 million, or 32.9%, increase from gross profit of \$7.0 million for the three months ended March 31, 2024. Gross profit as a percentage of net sales for the three months ended March 31, 2025 increased to 20.9% compared to 17.6% for the three months ended March 31, 2024. The year-over-year increase in gross profit as a percentage of net sales was primarily attributable to the appreciation in value of U.S. dollar against the Korean Won in the first quarter of 2025.

### Net Sales – Power solutions business by Geographic Region

We report net sales – Power solutions business by geographic region based on the location to which the products are billed. The following table sets forth our net sales – Power solutions business by geographic region and the percentage of total net sales – Power solutions business represented by each geographic region for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024		Change Amount
	Amount	% of Net Sales – Power solutions business	Amount	% of Net Sales – Power solutions business	
	(Dollars in millions)				
Korea	\$ 21.7	48.6%	\$ 17.1	42.8%	\$ 4.6
Asia Pacific (other than Korea)	21.0	46.9	21.1	52.8	(0.1)
United States	1.2	2.6	0.3	0.8	0.8
Europe	0.8	1.9	1.4	3.5	(0.6)
	<u>\$ 44.7</u>	<u>100.0%</u>	<u>\$ 39.9</u>	<u>100.0%</u>	<u>\$ 4.8</u>

Net sales – Power solutions business in Korea increased from \$17.1 million for the three months ended March 31, 2024 to \$21.7 million for the three months ended March 31, 2025, or by \$4.6 million, or 27.1%, primarily due to a higher demand for power products such as MOSFETs, primarily for smartphone applications. A higher demand for our Power IC products, primarily for televisions, also had a favorable impact on net sales.

Net sales – Power solutions business in Asia Pacific (other than Korea) were \$21.0 million for the three months ended March 31, 2025, which remained almost flat, compared to \$21.1 million for the three months ended March 31, 2024.

### Operating Expenses

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$9.7 million, or 21.7% of total revenues, for the three months ended March 31, 2025, compared to \$9.5 million, or 22.0% of total revenues, for the three months ended March 31, 2024. The increase of \$0.2 million, or 1.8%, was primarily attributable to a net increase in employee compensation and certain benefit related charges.

**Research and Development Expenses.** Research and development expenses were \$5.9 million, or 13.3% of total revenues, for the three months ended March 31, 2025, compared to \$6.2 million, or 14.3% of total revenues, for the three months ended March 31, 2024. The decrease of \$0.3 million, or 4.4%, was primarily attributable to a decrease in material costs for power products based on the timing of development activities.

### Operating Loss

As a result of the foregoing, operating loss of \$6.3 million was recorded for the three months ended March 31, 2025 compared to operating loss of \$9.4 million for the three months ended March 31, 2024. As discussed above, the improvement in operating loss of \$3.1 million resulted primarily from a \$3.0 million increase in gross profit and a \$0.3 million decrease in research and development expenses, which as offset in part by a \$0.2 million increase in selling, general and administrative expenses.

### ***Other Income (Expense)***

***Interest Income.*** Interest income was \$1.5 million and \$2.1 million for the three months ended March 31, 2025 and March 31, 2024, respectively.

***Interest Expense.*** Interest expense was \$0.4 million and \$0.2 million for the three months ended March 31, 2025 and March 31, 2024, respectively. The increase of \$0.3 million, or 142.7%, was primarily due to the Term Loan that we executed in March 2024.

***Foreign Currency Loss, Net.*** Net foreign currency loss for the three months ended March 31, 2025 was \$0.4 million compared to net foreign currency loss of \$5.0 million for the three months ended March 31, 2024. The net foreign currency loss for the three months ended March 31, 2025 and March 31, 2024 was due to the depreciation in value of the Korean won relative to the U.S. dollar during the period.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to one of our Korean subsidiaries, which are denominated in U.S. dollars, and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of March 31, 2025 and March 31, 2024, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary, Magnachip Semiconductor, Ltd., and our Dutch subsidiary, were \$260.7 million and \$258.3 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income (loss) since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

### ***Income Tax Expense (Benefit), Net***

Income tax benefit was \$0.4 million for the three months ended March 31, 2025, which was primarily attributable to the estimated taxable loss in our Korean subsidiary for the respective period.

Income tax expense was \$1.9 million for the three months ended March 31, 2024, which was primarily related to a deferred tax adjustment associated with the assets transferred between our Korean subsidiaries as an in-kind contribution.

### ***Loss from Continuing Operations***

Loss from continuing operations for the three months ended March 31, 2025 was \$5.1 million compared to loss from continuing operations of \$14.3 million for the three months ended March 31, 2024. The \$9.2 million improvement in results from continuing operations was primarily attributable to a \$4.6 million improvement in net foreign currency loss, a \$3.1 million decrease in operating loss and a \$2.3 million decrease in income tax expense.

### ***Loss from Discontinued Operations, Net of Tax***

Loss from discontinued operations, net of tax for the three months ended March 31, 2025 was \$3.8 million, compared to loss from discontinued operations, net of tax of \$1.1 million for the three months ended March 31, 2024. The \$2.7 million increase in loss from discontinued operations, net of tax primarily resulted from a \$2.9 million decrease in income tax benefit, which was recorded in the first quarter of 2024.

### ***Net Loss***

As a result of the foregoing, a net loss of \$8.9 million was recorded for the three months ended March 31, 2025 compared to a net loss of \$15.4 million for the three months ended March 31, 2024. As discussed above, the improvement in net loss of \$6.5 million primarily resulted from a \$9.2 million decrease in loss from continuing operations, which was offset in part by a \$2.7 million increase in loss from discontinued operations, net of tax.

## **Liquidity and Capital Resources**

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

Our principal sources of liquidity are our cash, cash equivalents, cash flows from operations and financing activities. Our ability to manage cash and cash equivalents may be limited, as our primary cash flows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. From time to time, we may sell accounts receivable to third parties under factoring agreements or engage in accounts receivable discounting to facilitate the collection of cash. In addition, from time to time, we may make payments to our vendors on extended terms with their consent. As of March 31, 2025, we did not have any accounts payable on extended terms or payment deferral with our vendors.

As of June 29, 2018, our Korean subsidiary, Magnachip Semiconductor, Ltd. (“MSK”), entered into an arrangement whereby it (i) acquired a water treatment facility from SK hynix for \$4.2 million to support our fabrication facility in Gumi, Korea, and (ii) subsequently sold the water treatment facility for \$4.2 million to a third party management company that we engaged to run the facility for a 10-year term beginning July 1, 2018. As of March 31, 2025, the outstanding obligation of this arrangement is approximately \$12.9 million for remaining service term through 2028.

On March 26, 2024, MSK executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank. The Loan Agreement provides for a working capital term loan (the “Term Loan”) of KRW 40,000,000,000 (approximately \$27.3 million based on the KRW/USD exchange rate of 1,466.5:1 as of March 31, 2025 as quoted by KEB Hana Bank). The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable.

As of March 31, 2025, cash and cash equivalents held by our Korean subsidiaries were \$126.4 million, which represents 95% of our total cash and cash equivalents on a consolidated basis. We currently believe that we will have sufficient cash reserves from cash on hand and expected cash from operations to fund our operations as well as capital expenditures for the next 12 months and the foreseeable future.

### ***Working Capital***

Our working capital balance as of March 31, 2025 was \$167.7 million compared to \$173.0 million as of December 31, 2024. The decrease in working capital balance was mainly attributable to a \$6.0 million decrease in cash and cash equivalents.

### ***Cash Flows from Operating Activities***

Cash outflow used in operating activities totaled \$4.7 million for the three months ended March 31, 2025, compared to \$4.0 million of cash outflow used in operating activities for the three months ended March 31, 2024. The net operating cash outflow for the three months ended March 31, 2025 reflects our net loss of \$8.9 million, as adjusted favorably by \$6.8 million, which mainly consisted of depreciation and amortization, provision for severance benefits, provision for inventory reserves, net foreign currency gain and stock-based compensation, and net unfavorable impact of \$2.6 million from changes in operating assets and liabilities.

### ***Cash Flows from Investing Activities***

Cash outflow used in investing activities totaled \$0.4 million for the three months ended March 31, 2025, compared to \$1.5 million of cash outflow used in investing activities for the three months ended March 31, 2024. The \$1.1 million decrease in cash outflow was primarily attributable to a \$0.6 million decrease in net payment of guarantee deposits and a \$0.5 million decrease in purchase of property, plant and equipment.

### ***Cash Flows from Financing Activities***

Cash outflow used in financing activities totaled \$1.5 million for the three months ended March 31, 2025, compared to \$25.2 million of cash inflow provided by financing activities for the three months ended March 31, 2024. The financing cash outflow for the three months ended March 31, 2025 was primarily attributable to a payment of \$0.9 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.5 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units. The financing cash inflow for the three months ended March 31, 2024 was primarily attributable to the \$30.1 million of proceeds received from the new Term Loan with KDB, which was offset in part by a payment of \$4.1 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.5 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

For additional cash flow information associated with our discontinued operation, please see “Item 1. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 2 – Discontinued Operations” included elsewhere in this Report.

### ***Capital Expenditures***

We routinely make capital expenditures for fabrication facility maintenance, enhancement of our existing facility and reinforcement of our global research and development capability. For the three months ended March 31, 2025, capital expenditures for property, plant and equipment were \$0.2 million, a \$0.5 million, or 68.9%, decrease from \$0.7 million for the three months ended March 31, 2024. The capital expenditures for the three months ended March 31, 2025 and 2024 were related to meeting our customer demand and supporting technology and facility improvement at our fabrication facility.

Looking ahead, we expect the capital expenditures for the year ending December 31, 2025 to be in the range of \$26–28 million, which includes approximately \$14-15 million for new investments into our fabrication facility located in Gumi, Korea. The capital expenditures for 2025 will be partially funded through the \$26.5 million Equipment Financing Credit Agreement, which is specifically designated for equipment purchases or upgrades in our Gumi fabrication facility. These new investments in the Gumi fabrication facility are expected to drive development of a new generation product portfolio, and upgrade new tools to optimize product mix and improve gross profit margin in the near future and the longer-term.

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## Critical Accounting Policies and Estimates

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

We believe that our significant accounting policies, which are described further in Note 1 to our consolidated financial statements in our Annual Report on Form 10-K for our fiscal year ended December 31, 2024, or our 2024 Form 10-K, are critical due to the fact that they involve a high degree of judgment and estimates about the effects of matters that are inherently uncertain. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be determined with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

A description of our critical accounting policies that involve significant management judgement appears in our 2024 Form 10-K, under “Management’s Discussion and Analysis of Financial Conditions and Reports of Operations—Critical Accounting Policies and Estimates.” There have been no other material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our 2024 Form 10-K.

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**Item 3.** [Reserved]

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Report, we carried out an evaluation under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of March 31, 2025, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2025.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings**

For a discussion of legal proceedings, see “Part I, Item 3. Legal Proceedings” of our 2024 Form 10-K.

See also “Item 1A. Risk Factors” in this Report and “Part I, Item 1A. Risk Factors” of our 2024 Form 10-K for additional information.

### **Item 1A. Risk Factors**

The Company is subject to risks and uncertainties, any of which could have a significant or material adverse effect on our business, financial condition, liquidity or consolidated financial statements.

In addition to the other information contained in this Report and the other reports and materials the Company files with the SEC, investors should carefully consider the risk factors disclosed in Part I, Item 1A of our 2024 Form 10-K as well as in our subsequent filings with the SEC. The risks described herein and therein are not the only ones we face.

There have been no material changes to the risk factors disclosed in Part I, Item 1A of our 2024 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

The following table shows the monthly activity related to our repurchases of common stock for the quarter ended March 31, 2025.

<u>Period</u>	<u>Total Number of Shares Purchased(1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)</u>	<u>Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands)(2)</u>
January 2025	31,254	\$ 3.95	31,254	\$ 24,465
February 2025	—	—	—	\$ 24,465
March 2025(1)	278,037	\$ 3.71	265,581	\$ 23,489
Total	<u>309,291</u>	<u>\$ 3.74</u>	<u>296,835</u>	<u>\$ 23,489</u>

- (1) Includes 12,456 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued under our equity incentive plans.
- (2) On July 19, 2023, the Company's Board of Directors authorized a \$50 million stock buyback program. Purchases have been and will be made in the open market or through privately negotiated transactions, depending upon market conditions and other factors. In connection with the repurchase program, the Company established a stock trading plan with Needham & Company, LLC in accordance with Rule 10b5-1 under the Exchange Act.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

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**Item 5. Other Information**

*Securities Trading Plans of Directors and Executive Officers*

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

**Item 6. Exhibits.**

<u>Exhibit Number</u>	<u>Description</u>
10.1#	<a href="#"><u>Amendment to Standard Credit Agreement, dated as of March 31, 2025, by and between Magnachip Semiconductor, Ltd., and Korea Development Bank (English Translation).</u></a>
10.2#	<a href="#"><u>Form of Restricted Stock Units Agreement—Stock Price Hurdle Performance (CEO GM)</u></a>
31.1#	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Executive Officer.</u></a>
31.2#	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Financial Officer.</u></a>
32.1†	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Executive Officer.</u></a>
32.2†	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Financial Officer.</u></a>
101.INS#	Inline XBRL Instance Document.
101.SCH#	Inline XBRL Taxonomy Extension Schema Document.
101.CAL#	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF#	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB#	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE#	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Footnotes:

- # Filed herewith
- † Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAGNACHIP SEMICONDUCTOR CORPORATION  
(Registrant)

Dated: May 12, 2025

By: /s/ Young-Joon Kim  
Young-Joon Kim  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 12, 2025

By: /s/ Shin Young Park  
Shin Young Park  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

/s/ signatures of the bank's team member, team manager and deputy general manager of KDB

**AMENDMENT TO LOAN AGREEMENT**  
(Date: March 31, 2025)

The Bank shall explain the important contents of this Amendment (the “**Amendment**”) to the parties involved in the Amendment and deliver all contract documents, including the Bank’s General Terms and Conditions for Credit Transactions (for corporations), a copy of the Amendment, and the corporate loan product description.

**TO THE KOREA DEVELOPMENT BANK (“KDB”)**

1. The undersigned and the joint guarantor will borrow up to the amount set forth in the foregoing from the Korea Development Bank (the “ <b>Bank</b> ”), and agrees to faithfully carry out the provisions of the General Terms and Conditions for Credit Transactions (as amended or supplemented by the Bank from time to time) and the Amendment.	
2. The undersigned and the joint guarantor have firmly received “all contract documents, including the general terms and conditions, a copy of the Amendment, and the corporate loan product description (for loans and guarantees only).” In addition, the joint guarantor has received sufficient explanation and understands debt status, delinquency status, credit management target information, etc. of the undersigned (the borrower).	
Address of the undersigned	Magnachip Semiconductor, Ltd. 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do Representative Director: /s/Young-Joon Kim [corporate seal stamped]
Address of the joint guarantor	(seal)

The undersigned hereby agrees to amend the terms and conditions of the below listed loan agreement with the Bank and all other terms and conditions shall remain unchanged.

Category	Title of Agreement	No.	Date of Execution
-	Loan Agreement	1	2024.12.16.

**Article 1 Amendment to Loan Amount/Maturity/Agreed Interest**

(Please check “✓” in the applicable box based in accordance with the explanation provided by the Bank)

Category		Old	New	Remark
Loan Amount		KRW38,000,000,000-	Unchanged	
Maturity		10 years from the first drawdown date of the loan	Unchanged	
Repayment	Principal	[✓] Repayment in installments - Grace period: 2 years - Repayment schedule: 8 years - Repayment method: every 3 months (equal principal repayment)	Unchanged	
	Agreed Interest	[ ] Fixed interest rate - the benchmark interest rate _____, plus ____% per annum  [✓] Floating interest rate (Article 3(2)2 of the General Terms and Conditions for Credit Transactions) - variable rate of 3-month CD rate, plus 0.68% per annum - rate reset cycle: every 3 months [ ] Guarantee fee rate ____% per annum	[✓] Fixed interest rate - the benchmark interest (Market-based yield on government bonds)  [ ] Floating interest rate - the benchmark interest rate _____ - rate reset cycle: _____ [ ]  [ ] Guarantee fee rate ____% per annum	
	Prepayment Commissions	[ ] n/a [ ] 1.4% (fixed) [✓] 1.2 (variable)	[ ] n/a [✓] applicable (0.29%)	

① (Application of Agreed Interest after Amendment)

1. The amended interest rate upon the extension of maturity shall apply from the day following the original maturity date. The benchmark interest shall be the one published on the original maturity date.
2. In the case of an overdraft facility or a revolving credit facility linked to a deposit account, the amended interest rate shall apply from the date of the Amendment.
3. In the case of short-term loans or short-term credit line facilities, the amended interest rate shall apply to new individual loan transactions (including extensions of existing accounts) made on or after the date of the Amendment. For extensions of existing accounts, the amended interest rate shall apply from the day following the original maturity date.
4. In the event that the Bank determines a different effective date for the application of the amended interest rate than those set forth in Items 1 through 3 above, the Bank shall provide prior explanation to the undersigned.

**Article 2 Amendment to Other Terms and Conditions**

(Joint Guarantee Limit, Repayment Schedule, Guarantee Method, etc.)

Category	Old	New
Article 14 Special Terms and Conditions	1. If the Bank determines that the recovery of claims becomes notably challenging due to substantial deterioration of the creditworthiness of the Obligor, the Bank may require the Obligor necessary measures to improve credit standing and the Obligor shall implement without delay. In the event that the Obligor fails to such implement, at the Bank's request, all obligations which the Obligor owes to the Bank shall immediately become due and payable.	1. If the Bank determines that the recovery of claims becomes notably challenging due to substantial deterioration of the creditworthiness of the Obligor, the Bank may require the Obligor necessary measures to improve credit standing and the Obligor shall implement without delay. In the event that the Obligor fails to such implement, at the Bank's request, all obligations which the Obligor owes to the Bank shall immediately become due and payable.  2. Any collateral (whether personal, real or provided by a third party) securing the obligations arising under the original Loan Agreement executed on December 16, 2024 shall remain effective and continue to secure the obligations under the Amendment.

**MAGNACHIP SEMICONDUCTOR CORPORATION  
RESTRICTED STOCK UNITS AGREEMENT  
(STOCK PRICE HURDLE PERFORMANCE)**

Magnachip Semiconductor Corporation (the “*Company*”) has granted to the Participant named in the Notice of Grant of Stock Price Hurdle Restricted Stock Units (the “*Grant Notice*”) to which this Restricted Stock Units Agreement (this “*Agreement*”) is attached an Award consisting of Restricted Stock Units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The appendix attached hereto (the “*Appendix*”) and the terms and conditions for the Participant’s country set forth therein are incorporated by reference into this Agreement. The Participant shall be entitled to Dividend Equivalent Rights with respect to the Award.

The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Magnachip Semiconductor Corporation 2020 Equity and Incentive Compensation Plan (the “*Plan*”), as amended from time to time, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “*Plan Prospectus*”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “*Dividend Equivalent Units*” mean additional Restricted Stock Units credited pursuant to Section 4.3.

(b) “*Units*” mean the Restricted Stock Units originally granted pursuant to the Award and the Dividend Equivalent Units credited pursuant to the Award, as both shall be adjusted from time to time pursuant to Section 10.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **CERTAIN CONDITIONS OF THE AWARD.**

2.1 **Compliance with Local Law.** The Participant agrees that the Participant will not acquire shares pursuant to the Award, or transfer, assign, sell or otherwise deal in such shares except in compliance with Local Law.

2.2 **Service Conditions.** By accepting the Award, the Participant acknowledges and agrees that:

(a) Any notice period mandated under Local Law shall not be treated as Service for the purpose of determining the vesting of the Award; and the Participant's right to receive shares in settlement of the Award after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under Local Law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) Notwithstanding anything to the contrary in the Grant Notice, if the Participant's employment or Service is terminated by the Participating Company to which the Participant renders Service ("***Service Recipient***") without Cause or if the Participant resigns for Good Reason, in each case not in connection with a CIC Qualified Termination (as each capitalized term is defined in the Participant's employment, consulting or other service contract) prior to full settlement of the Award, the Participant will remain eligible to vest (determined in accordance with the terms set forth in the Grant Notice applicable to the Non-Change of Control case) in a pro rata portion of the Units on the Certification Date following the end of the Performance Period based on actual Company performance, with such pro rata portion determined by multiplying the total number of the Units remaining outstanding following the Committee's certification on the Certification Date, by a fraction (x) the numerator of which is the number of full months (without any rounding) that the Participant provided continuous Service during the Performance Period, and (y) the denominator of which is the number of full months in the Performance Period. All Units in excess of the pro rata portion thereof that remains outstanding in accordance with the immediately preceding sentence shall immediately be forfeited and cancelled effective as of the Certification Date, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

If a Change in Control occurs upon or following such termination and prior to the end of the Performance Period, then the Units remaining outstanding and unvested immediately prior to the Change in Control (after application of the foregoing provisions in this Section 2.2(b)) shall remain eligible to vest in accordance with the terms set forth in the Grant Notice applicable to the Change of Control case, in a pro rata portion of the Units on the Certification Date based on actual Company performance, with such pro rata portion determined by multiplying the total number of the Units remaining outstanding following the Committee's certification on the Certification Date, by a fraction (x) the numerator of which is the number of full months (without any rounding) that the Participant provided continuous Service during the Performance Period (provided that the Performance Period shall be deemed to have ended on the Measurement Date), and (y) the denominator of which is the number of full months in the Performance Period (provided that the Performance Period shall be deemed to have ended on the Measurement Date). The date on which the Change in Control is consummated shall be treated as the Settlement Date for purposes of Section 7 below.

(c) Notwithstanding anything to the contrary in this Section 2, if the Participant incurs a CIC Qualified Termination, all Units that remain outstanding and unvested (after application of Section 9) shall vest on the date of such termination in accordance with the terms set forth in the Grant Notice applicable to the Change of Control case.

(d) The vesting of the Award shall cease upon, and no Units shall vest following, the termination of the Participant's Service for any reason other than as set forth in Section 2.2 (b) or (c). Further, all unvested Units shall be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

(e) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(f) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.

(g) All decisions with respect to future Award grants, if any, will be at the sole discretion of the Company.

(h) The Participant's participation in the Plan shall not create a right to further Service with any Participating Company and shall not interfere with the ability of any Participating Company to terminate the Participant's Service at any time, with or without Cause, insofar as permitted under Local Law.

(i) The Participant is voluntarily participating in the Plan.

(j) The Award and resulting shares, if any, are an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to any Participating Company, and which is outside the scope of the Participant's employment, consulting or other service contract, if any.

(k) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, payment in lieu of notice, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

(l) In the event that the Participant does not provide Service to the Participating Company, the Award grant will not be interpreted to form an employment, consulting or other service contract or relationship with the Participating Company.

(m) The future value of the underlying shares is unknown and cannot be predicted with certainty. If the Participant obtains shares upon settlement of the Award, the value of those shares may increase or decrease.

(n) In consideration of the grant of an Award, no claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Award or shares acquired upon settlement of the Award resulting from termination of the Participant's Service (for any reason whether or not in breach of Local Law), and the Participant irrevocably releases the Company and each other Participating Company from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

(o) Neither the Company nor Subsidiary shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Award, or any amounts due to the Participant pursuant to the settlement of the Award or the subsequent sale of any shares acquired upon settlement.

### **2.3 Data Privacy Consent.**

(A) **THE PARTICIPANT HEREBY EXPLICITLY AND UNAMBIGUOUSLY CONSENTS TO THE COLLECTION, USE AND TRANSFER, IN ELECTRONIC OR OTHER FORM, OF THE PARTICIPANT'S PERSONAL DATA AS DESCRIBED IN THIS DOCUMENT BY AND AMONG THE MEMBERS OF THE PARTICIPATING COMPANY GROUP FOR THE EXCLUSIVE PURPOSE OF IMPLEMENTING, ADMINISTERING AND MANAGING THE PARTICIPANT'S PARTICIPATION IN THE PLAN.**

(B) **THE PARTICIPANT UNDERSTANDS THAT THE PARTICIPATING COMPANY GROUP HOLDS CERTAIN PERSONAL INFORMATION ABOUT THE PARTICIPANT, INCLUDING, BUT NOT LIMITED TO, THE PARTICIPANT'S NAME, HOME ADDRESS AND TELEPHONE NUMBER, DATE OF BIRTH, SOCIAL SECURITY NUMBER OR OTHER IDENTIFICATION NUMBER, SALARY, NATIONALITY, JOB TITLE, ANY SHARES OR DIRECTORSHIPS HELD IN THE COMPANY, DETAILS OF ALL AWARDS OR ANY OTHER ENTITLEMENT TO SHARES AWARDED, CANCELED, EXERCISED, VESTED, UNVESTED OR OUTSTANDING IN THE PARTICIPANT'S FAVOR (COLLECTIVELY, "DATA"), FOR THE PURPOSE OF IMPLEMENTING, ADMINISTERING AND MANAGING THE PLAN. THE PARTICIPANT UNDERSTANDS THAT DATA MAY BE TRANSFERRED TO ANY THIRD PARTIES ASSISTING IN THE IMPLEMENTATION, ADMINISTRATION AND MANAGEMENT OF THE PLAN, THAT THESE RECIPIENTS MAY BE LOCATED IN THE PARTICIPANT'S COUNTRY OR ELSEWHERE, AND THAT THE RECIPIENT'S COUNTRY MAY HAVE DIFFERENT DATA PRIVACY LAWS AND PROTECTIONS THAN THE PARTICIPANT'S COUNTRY.**

(C) **THE PARTICIPANT UNDERSTANDS THAT HE OR SHE MAY REQUEST A LIST WITH THE NAMES AND ADDRESSES OF ANY POTENTIAL RECIPIENTS OF THE DATA BY CONTACTING THE PARTICIPANT'S LOCAL HUMAN RESOURCES REPRESENTATIVE. THE PARTICIPANT AUTHORIZES THE RECIPIENTS TO RECEIVE, POSSESS, USE, RETAIN AND TRANSFER THE DATA, IN ELECTRONIC OR OTHER FORM, FOR THE PURPOSES OF IMPLEMENTING, ADMINISTERING AND MANAGING THE PARTICIPANT'S PARTICIPATION IN THE PLAN, INCLUDING ANY REQUISITE TRANSFER OF SUCH DATA AS MAY BE REQUIRED TO A BROKER OR OTHER THIRD PARTY WITH WHOM THE PARTICIPANT MAY ELECT TO DEPOSIT ANY SHARES ACQUIRED UPON SETTLEMENT OF THE AWARD. THE PARTICIPANT UNDERSTANDS THAT DATA WILL BE HELD ONLY AS LONG AS IS NECESSARY TO IMPLEMENT, ADMINISTER AND MANAGE THE**

**PARTICIPANT'S PARTICIPATION IN THE PLAN. THE PARTICIPANT UNDERSTANDS THAT HE OR SHE MAY, AT ANY TIME, VIEW DATA, REQUEST ADDITIONAL INFORMATION ABOUT THE STORAGE AND PROCESSING OF DATA, REQUIRE ANY NECESSARY AMENDMENTS TO DATA OR REFUSE OR WITHDRAW THE CONSENTS HEREIN, IN ANY CASE WITHOUT COST, BY CONTACTING IN WRITING THE PARTICIPANT'S LOCAL HUMAN RESOURCES REPRESENTATIVE. THE PARTICIPANT UNDERSTANDS, HOWEVER, THAT REFUSING OR WITHDRAWING THE PARTICIPANT'S CONSENT MAY AFFECT THE PARTICIPANT'S ABILITY TO PARTICIPATE IN THE PLAN. FOR MORE INFORMATION ON THE CONSEQUENCES OF THE PARTICIPANT'S REFUSAL TO CONSENT OR WITHDRAWAL OF CONSENT, THE PARTICIPANT UNDERSTANDS THAT HE OR SHE MAY CONTACT THE PARTICIPANT'S LOCAL HUMAN RESOURCES REPRESENTATIVE.**

### **3. ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee, including the determinations regarding the achievement of the Stock Price Hurdles set forth in the Grant Notice, shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation or election which is the responsibility of or which is allocated to the Company herein, provided that the Officer has actual authority with respect to such matter, right, obligation or election.

### **4. THE AWARD.**

**4.1 Grant of Units.** The Company hereby grants to the Participant, subject to the provisions of this Agreement, the Total Number of the Units set forth in the Grant Notice, subject to adjustment as provided in Section 4.3 and Section 10. Subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

**4.2 No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units.

**4.3 Dividend Equivalent Units.** On the date that the Company pays a cash dividend to holders of Stock generally, the Participant shall be credited with a number of additional whole Dividend Equivalent Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per share of Stock on such date and (ii) the total number of the Units and Dividend Equivalent Units previously credited to the Participant pursuant to the Award and which have not been settled or forfeited pursuant to Section 6 below as of such date, by (b) the Fair Market Value per share of Stock on such date. Any resulting fractional Dividend

Equivalent Unit shall be rounded to the nearest whole number. Such additional Dividend Equivalent Units shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the Units originally subject to the Award with respect to which they have been credited.

5. **VESTING OF UNITS.**

Units acquired pursuant to this Agreement shall become Vested Units or Vestable Units as provided in the Grant Notice. Dividend Equivalent Units shall become Vested Units at the same time as the Units originally subject to the Award with respect to which they have been credited.

6. **FORFEITURE OF UNITS.**

In the event that the Participant's Service is terminated by the Service Recipient for Cause, insofar as permitted under Local Law the Participant shall forfeit, and the Company shall automatically reacquire, all Units (whether vested or unvested), and the Participant shall not be entitled to any payment therefor.

7. **SETTLEMENT OF THE AWARD.**

7.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 7.3, as soon as reasonably practicable following the date upon which Units satisfy the vesting conditions (such date, the "**Settlement Date**") (but in no event later than March 15<sup>th</sup> of the calendar year following the calendar year in which the Units vest), the Company shall issue to the Participant with respect to each such Vested Unit one (1) share of Stock. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 7.3, Section 7 or the Company's Securities Trading Policy or any stock ownership guidelines or holding period guidelines established by the Board from time to time.

7.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

7.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of United States federal, state law and Local Law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable United States federal, state or Local Law, or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, or the impracticality of doing so,

deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

7.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

8. **TAX WITHHOLDING.**

Regardless of any action the Company or the Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("**Tax-Related Items**"), the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due or deemed legally due by the Participant is and remains the Participant's responsibility and that the Company and the Service Recipient (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of Units, including the grant and vesting of Units, subsequent delivery of shares or cash related to such Units or the subsequent sale of any shares acquired pursuant to such Units and receipt of any dividend equivalent payments (if any) and (ii) do not commit to structure the terms or any aspect of this grant of Units to reduce or eliminate the Participant's liability for Tax-Related Items.

The Participant shall satisfy Tax-Related Items by having the Company or the Service Recipient deduct from shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a Fair Market Value not in excess of the amount of such Tax-Related Items determined by the maximum applicable statutory withholding rates. Notwithstanding the foregoing, the Committee may instead, upon notice to the Participant, require the Participant to pay the Company or the Service Recipient in cash any amount of Tax-Related Items that the Company or the Service Recipient may be required to withhold as a result of the Participant's participation in the Plan or the Participant's receipt of Units (including, without limitation, by the Service Recipient withholding such amounts from the Participant's wages, which the Participant hereby authorizes). If the obligation for Tax-Related Items is satisfied by withholding a number of shares as described herein, the Participant understands that he or she will be deemed to have been issued the full number of shares subject to the settled Units, notwithstanding that a number of shares are held back solely for the purpose of paying Tax-Related Items due as a result of the settlement of the Units. Further, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In the event that the amount of the withholding is greater than the amount of Tax-Related Items, the Company or the Service Recipient may refund the amount of the over-withholding to the Participant (with no entitlement to any Stock equivalent), or alternatively, the Company or the Service Recipient may require the Participant to seek a refund from the applicable tax

authorities. In the event that the amount of the withholding is less than the amount of Tax-Related Items, the Participant may be required to pay the under-withheld Tax-Related Items to the Company and/or the Service Recipient or directly to the applicable tax authorities.

The Company may refuse to deliver the shares if the Participant fails to comply with the Participant's obligations in connection with Tax-Related Items.

The Participant acknowledges and understands that the Participant should consult a tax advisor regarding the Participant's tax obligations prior to such settlement or disposition.

#### 9. **EFFECT OF CHANGE IN CONTROL.**

9.1 **Assumption.** In the event of a Change in Control during the Performance Period where this Award is equitably assumed, substituted or continued by the Company or its successor entity, subject to the Participant's continued Service on the date that such Change in Control is consummated, the Award (and any Dividend Equivalent Units associated therewith) shall be treated as provided in Section 11 of the Plan; provided, however, that (i) satisfaction of the Performance Goal shall be determined as of the Measurement Date based on the CIC Price and (ii) unless otherwise determined by the Committee, any Units that have not satisfied the Performance Goal as of the Change in Control (as determined after giving effect to clause (i) above) shall be automatically forfeited and cancelled as of the consummation of the Change in Control. To the extent that any Units satisfy the Performance Goal, then the corresponding percentage of Units set forth in the Grant Notice shall not vest on the date of the Change in Control, but shall be credited on such date and shall be converted into time-based Units (the "**Time-Based Units**") which will vest on the last day of the Performance Period, subject to the Participant's continuous Service through such last day; provided, however, that if the Participant's continuous Service is terminated after the consummation of the Change in Control and prior to the end of the Performance Period (i) by the Company without Cause or (ii) due to Participant's resignation for Good Reason, then 100% of the Time-Based Units shall immediately vest upon the date of such termination.

9.2 **No Assumption.** In the event of a Change in Control during the Performance Period where this Award is not equitably assumed, substituted or continued by the Company or its successor entity, the Units shall be treated as provided in Section 11 of the Plan; provided, however, that (i) satisfaction of the Performance Goal shall be determined as of immediately prior to the Change in Control based on the CIC Price and the Settlement Date shall occur immediately prior to the consummation of the Change in Control for purposes of Section 7 above, and (ii) unless otherwise determined by the Committee, any Units that have not satisfied the Performance Goal as of the Change in Control (as determined after giving effect to clause (i) above) shall be automatically forfeited as of the consummation of the Change in Control.

For purposes of this Section 9, for the Award to be considered equitably assumed,

substituted or continued by the Company or its successor entity, the Committee must determine prior to the Change in Control that the assumed, continuing or substituted award satisfies the following requirements: (i) is based on stock of the successor entity that is traded on an established U.S. securities market or an established securities market outside the United States

upon which the Participant can readily trade the Stock without administrative burdens or complexities; (ii) provides the Participant with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under the original Award; and (iii) has substantially equivalent value (determined at the time of the Change in Control).

**10. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company and the requirements of Section 409A, to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, or any other corporate transaction or event having an effect similar to any of the foregoing, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy, which shall be treated in accordance with Section 4.3) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

**11. RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 4.3 and Section 10. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment contract between the Service Recipient and the Participant, the Participant's employment is "at will" and is for no specified term unless otherwise required under applicable law. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of the Service Recipient or interfere in any way with any right of the applicable Service Recipient to terminate the Participant's Service at any time.

12. **LEGENDS.**

The Company may at any time place legends referencing any applicable United States federal, state or non-U.S. securities law, including Local Law, restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

13. **MISCELLANEOUS PROVISIONS.**

13.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as set forth in Section 9 in connection with a Change in Control or in Section 10, no such termination or amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing.

13.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or non-U.S. postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include the Plan, the Grant Notice, this Agreement, the Plan Prospectus and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if the Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

**13.6 Integrated Agreement.** The Grant Notice (including its exhibits), this Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

**13.7 Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the additional terms and conditions, if any, set forth in the Appendix to this Agreement which are applicable to the Participant's country, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in the Appendix, the additional terms and conditions applicable to such country will apply to the Award to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan or this Agreement.

13.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties as evidenced by this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of Santa Clara, California, or the federal courts of the United States for the Northern District of California, and no other courts, where this Agreement is made and/or performed.

13.9 **Language.** The Participant acknowledges that the Participant is sufficiently proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Participant to understand the provisions in this Agreement and the Plan. Further, if the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

13.10 **Insider Trading / Market Abuse Restrictions.** The Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including, but not limited to, the U.S. and the Participant's country of residence, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of shares or rights to shares (e.g., Units) or rights linked to the value of shares during such times as the Participant is considered to have "inside information" regarding the Company (as defined by applicable laws). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's Securities Trading Policy. The Participant is responsible for ensuring compliance with any applicable restrictions.

13.11 **Foreign Asset and Account Reporting and Exchange Control Requirements.** Certain foreign asset and foreign account reporting requirements and exchange controls may affect the Participant's ability to acquire or hold shares under the Plan or cash received from participating in the Plan in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant's country. The Participant may also be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country through a designated bank or broker or within a certain time after receipt. The Participant is responsible for complying with any applicable regulations and should consult the Participant's personal legal and tax advisors.

13.12 **Waiver.** The Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement by the Participant shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Participant.

13.13 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.14 **Clawback.** The Award will be subject to recoupment in accordance with the Company's Compensation Recovery Policy or any other clawback or recoupment policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

## APPENDIX

### **ADDITIONAL TERMS AND CONDITIONS OF MAGNACHIP SEMICONDUCTOR CORPORATION RESTRICTED STOCK UNITS AGREEMENT**

Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan, the Grant Notice and the Agreement.

#### **TERMS AND CONDITIONS**

This Appendix includes additional terms and conditions that govern the Units granted to the Participant under the Plan if the Participant resides and/or works in one of the countries listed below. If the Participant is a citizen or resident (or is deemed to be a citizen or resident for local law purposes) of a country other than the country in which the Participant is currently residing and/or working, or if the Participant relocates to another country after the grant of the Units, the Company shall, in its discretion, determine to what extent the additional terms and conditions contained herein shall apply to the Participant.

#### **NOTIFICATIONS**

This Appendix may also include information regarding exchange controls and certain other issues of which the Participant should be aware with respect to the Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of April 2022. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Appendix as the only source of information relating to the consequences of the Participant's participation in the Plan because such information may be out-of-date when the Participant's Units vest and/or the Participant sells any shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation. As a result, the Company is not in a position to assure the Participant of any particular result. The Participant is therefore advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to the Participant's situation.

Finally, if the Participant is a citizen or resident (or is deemed to be a citizen or resident for local law purposes) of a country other than the country in which the Participant is currently residing and/or working, or if the Participant relocates to another country after the grant of the Units, the notifications contained herein may not apply to the Participant in the same manner.

Below please find additional terms and conditions, as well as notifications, that apply to Korea and the United States.

#### **KOREA**

##### **Terms and Conditions**

There are no country-specific terms and conditions.

## Notifications

If the Participant receives and owns Stocks at the time of delivery through a foreign financial account (i.e., financial account outside of Korea) and the total balance of all accounts of the Participant exceed KRW500 million on any last day of each month during a year, the Participant is required to file a Foreign Financial Account Report in accordance with the Korean tax law.

## UNITED STATES

### Terms and Conditions for Participants subject to Tax in the United States

1. The following paragraph is inserted as a new Section 13.15 to the Agreement:

**“Section 409A of the U.S. Internal Revenue Code.** To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A, so that the income inclusion provisions of Section 409A(a)(1) do not apply. This Agreement shall be administered in a manner consistent with this intent. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall any Participating Company or any of their respective Subsidiary Corporations or Affiliates be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A or otherwise. For purposes of this Agreement, **“Section 409A”** means Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.”

## Notifications

There are no country-specific notifications.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Young-Joon Kim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magnachip Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2025

/s/ Young-Joon Kim

Young-Joon Kim  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Shin Young Park, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magnachip Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2025

/s/ Shin Young Park

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Shin Young Park  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting  
Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Magnachip Semiconductor Corporation (the “**Company**”) hereby certifies, to such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 12, 2025

/s/ Young-Joon Kim

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Young-Joon Kim

Chief Executive Officer

(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Magnachip Semiconductor Corporation (the “**Company**”) hereby certifies, to such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 12, 2025

/s/ Shin Young Park

Shin Young Park

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.