

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 September 30, 2022

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 S.A.
1, Allée Scheffer, L-2520
Luxembourg, Grand Duchy of Luxembourg
(352) 45-62-62

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

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 |
| Preferred Stock Purchase Rights | | 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 October 31, 2022, the registrant had 44,175,252 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION
Item 1. Interim Consolidated Financial Statements (Unaudited)
**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)**

| | September 30, 2022 | December 31, 2021 |
|---|---|----------------------|
| | (In thousands of U.S. dollars, except share data) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 250,831 | \$ 279,547 |
| Accounts receivable, net | 36,759 | 50,954 |
| Inventories, net | 37,298 | 39,370 |
| Other receivables (Note 16) | 8,248 | 25,895 |
| Prepaid expenses | 10,322 | 7,675 |
| Hedge collateral (Note 7) | 15,370 | 3,060 |
| Other current assets (Note 17) | 20,208 | 2,619 |
| Total current assets | 379,036 | 409,120 |
| Property, plant and equipment, net | 94,411 | 107,882 |
| Operating lease right-of-use assets | 4,928 | 4,275 |
| Intangible assets, net | 1,770 | 2,377 |
| Long-term prepaid expenses | 11,382 | 8,243 |
| Deferred income taxes | 34,299 | 41,095 |
| Other non-current assets | 10,382 | 10,662 |
| Total assets | <u>\$ 536,208</u> | <u>\$ 583,654</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 26,545 | \$ 37,593 |
| Other accounts payable | 14,809 | 6,289 |
| Accrued expenses (Note 6) | 15,800 | 20,071 |
| Accrued income taxes | — | 11,823 |
| Operating lease liabilities | 1,324 | 2,323 |
| Other current liabilities (Notes 7 and 8) | 15,881 | 7,382 |
| Total current liabilities | 74,359 | 85,481 |
| Accrued severance benefits, net | 28,036 | 33,064 |
| Non-current operating lease liabilities | 3,811 | 1,952 |
| Other non-current liabilities | 16,787 | 10,395 |
| Total liabilities | 122,993 | 130,892 |
| Commitments and contingencies (Note 17) | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value, 150,000,000 shares authorized, 56,234,774 shares issued and 44,579,075 outstanding at September 30, 2022 and 55,905,320 shares issued and 45,659,304 outstanding at December 31, 2021 | 562 | 559 |
| Additional paid-in capital | 264,510 | 241,197 |
| Retained earnings | 332,535 | 343,542 |
| Treasury stock, 11,655,699 shares at September 30, 2022 and 10,246,016 shares at December 31, 2021, respectively | (152,161) | (130,306) |
| Accumulated other comprehensive loss | (32,231) | (2,230) |
| Total stockholders' equity | 413,215 | 452,762 |
| Total liabilities and stockholders' equity | <u>\$ 536,208</u> | <u>\$ 583,654</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 | | Nine Months Ended | |
|---|---|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| | (In thousands of U.S. dollars, except share data) | | | |
| Revenues: | | | | |
| Net sales – standard products business | \$ 62,771 | \$ 117,415 | \$ 248,069 | \$ 333,589 |
| Net sales – transitional Fab 3 foundry services | 8,428 | 9,585 | 28,599 | 30,306 |
| Total revenues | 71,199 | 127,000 | 276,668 | 363,895 |
| Cost of sales: | | | | |
| Cost of sales – standard products business | 45,497 | 71,641 | 165,197 | 221,297 |
| Cost of sales – transitional Fab 3 foundry services | 8,477 | 8,772 | 26,305 | 27,659 |
| Total cost of sales | 53,974 | 80,413 | 191,502 | 248,956 |
| Gross profit | 17,225 | 46,587 | 85,166 | 114,939 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 11,411 | 12,550 | 38,310 | 39,185 |
| Research and development expenses | 13,321 | 12,270 | 38,685 | 39,015 |
| Merger-related costs | — | 1,552 | — | 13,842 |
| Other charges, net | 2,501 | 214 | 3,298 | 3,360 |
| Total operating expenses | 27,233 | 26,586 | 80,293 | 95,402 |
| Operating income (loss) | (10,008) | 20,001 | 4,873 | 19,537 |
| Interest expense | (278) | (113) | (888) | (1,239) |
| Foreign currency loss, net | (12,809) | (7,579) | (20,511) | (12,000) |
| Other income, net | 1,958 | 1,608 | 4,163 | 2,839 |
| Income (loss) before income tax expense | (21,137) | 13,917 | (12,363) | 9,137 |
| Income tax expense (benefit) | (3,942) | 3,149 | (1,356) | 6,040 |
| Net income (loss) | \$ (17,195) | \$ 10,768 | \$ (11,007) | \$ 3,097 |
| Basic earnings (loss) per common share— | \$ (0.38) | \$ 0.23 | \$ (0.24) | \$ 0.07 |
| Diluted earnings (loss) per common share— | \$ (0.38) | \$ 0.23 | \$ (0.24) | \$ 0.07 |
| Weighted average number of shares— | | | | |
| Basic | 44,865,266 | 46,449,234 | 45,119,214 | 44,377,250 |
| Diluted | 44,865,266 | 47,808,457 | 45,119,214 | 45,811,792 |

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

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

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | <u>September 30,</u> <u>2022</u> | <u>September 30,</u> <u>2021</u> | <u>September 30,</u> <u>2022</u> | <u>September 30,</u> <u>2021</u> |
| | (In thousands of U.S. dollars) | | | |
| Net income (loss) | \$ (17,195) | \$ 10,768 | \$ (11,007) | \$ 3,097 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments | (5,974) | (860) | (15,881) | (2,809) |
| Derivative adjustments | | | | |
| Fair valuation of derivatives | (11,757) | (3,271) | (19,498) | (4,964) |
| Reclassification adjustment for loss (gain) on derivatives included in net income (loss) | 2,820 | 653 | 5,378 | (333) |
| Total other comprehensive loss | (14,911) | (3,478) | (30,001) | (8,106) |
| Total comprehensive income (loss) | <u>\$ (32,106)</u> | <u>\$ 7,290</u> | <u>\$ (41,008)</u> | <u>\$ (5,009)</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 | | | | | |
| Three Months Ended September 30, 2022: | | | | | | | |
| Balance at June 30, 2022 | 44,903,718 | \$ 562 | \$263,698 | \$349,730 | \$(148,523) | \$ (17,320) | \$448,147 |
| Stock-based compensation | — | — | 861 | — | — | — | 861 |
| Settlement of restricted stock units | — | — | (49) | — | — | — | (49) |
| Acquisition of treasury stock | (324,643) | — | — | — | (3,638) | — | (3,638) |
| Other comprehensive loss, net | — | — | — | — | — | (14,911) | (14,911) |
| Net loss | — | — | — | (17,195) | — | — | (17,195) |
| Balance at September 30, 2022 | <u>44,579,075</u> | <u>\$ 562</u> | <u>\$264,510</u> | <u>\$332,535</u> | <u>\$(152,161)</u> | <u>\$ (32,231)</u> | <u>\$413,215</u> |
| Three Months Ended September 30, 2021: | | | | | | | |
| Balance at June 30, 2021 | 46,350,945 | \$ 556 | \$253,244 | \$279,163 | \$(109,407) | \$ (925) | \$422,631 |
| Stock-based compensation | — | — | 2,005 | — | — | — | 2,005 |
| Exercise of stock options | 112,944 | 1 | 1,370 | — | — | — | 1,371 |
| Settlement of restricted stock units | 1,000 | 0 | (0) | — | — | — | — |
| Other comprehensive loss, net | — | — | — | — | — | (3,478) | (3,478) |
| Net income | — | — | — | 10,768 | — | — | 10,768 |
| Balance at September 30, 2021 | <u>46,464,889</u> | <u>\$ 557</u> | <u>\$256,619</u> | <u>\$289,931</u> | <u>\$(109,407)</u> | <u>\$ (4,403)</u> | <u>\$433,297</u> |
| | | | | | | | |
| (In thousands of U.S. dollars, except share data) | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total |
| | Shares | Amount | | | | | |
| Nine Months Ended September 30, 2022: | | | | | | | |
| Balance at December 31, 2021 | 45,659,304 | \$ 559 | \$241,197 | \$343,542 | \$(130,306) | \$ (2,230) | \$452,762 |
| Stock-based compensation | — | — | 4,487 | — | — | — | 4,487 |
| Exercise of stock options | 152,326 | 1 | 1,785 | — | — | — | 1,786 |
| Settlement of restricted stock units | 177,128 | 2 | (176) | — | — | — | (174) |
| Acquisition of treasury stock | (378,107) | — | — | — | (4,638) | — | (4,638) |
| Accelerated stock repurchase | (1,031,576) | — | 17,217 | — | (17,217) | — | — |
| Other comprehensive loss, net | — | — | — | — | — | (30,001) | (30,001) |
| Net loss | — | — | — | (11,007) | — | — | (11,007) |
| Balance at September 30, 2022 | <u>44,579,075</u> | <u>\$ 562</u> | <u>\$264,510</u> | <u>\$332,535</u> | <u>\$(152,161)</u> | <u>\$ (32,231)</u> | <u>\$413,215</u> |
| Nine Months Ended September 30, 2021: | | | | | | | |
| Balance at December 31, 2020 | 35,783,347 | \$ 450 | \$163,010 | \$286,834 | \$(108,397) | \$ 3,703 | \$345,600 |
| Stock-based compensation | — | — | 6,056 | — | — | — | 6,056 |
| Exchange of exchangeable senior note | 10,144,131 | 101 | 83,639 | — | — | — | 83,740 |
| Exercise of stock options | 289,704 | 3 | 3,917 | — | — | — | 3,920 |
| Settlement of restricted stock units | 299,162 | 3 | (3) | — | — | — | — |
| Acquisition of treasury stock | (51,455) | — | — | — | (1,010) | — | (1,010) |
| Other comprehensive loss, net | — | — | — | — | — | (8,106) | (8,106) |
| Net income | — | — | — | 3,097 | — | — | 3,097 |
| Balance at September 30, 2021 | <u>46,464,889</u> | <u>\$ 557</u> | <u>\$256,619</u> | <u>\$289,931</u> | <u>\$(109,407)</u> | <u>\$ (4,403)</u> | <u>\$433,297</u> |

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

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

| | Nine Months Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| (In thousands of U.S. dollars) | | |
| Cash flows from operating activities | | |
| Net income (loss) | \$ (11,007) | \$ 3,097 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 11,225 | 10,576 |
| Provision for severance benefits | 5,163 | 5,514 |
| Amortization of debt issuance costs and original issue discount | — | 261 |
| Loss on foreign currency, net | 66,335 | 32,607 |
| Provision for inventory reserves | 7,730 | 1,484 |
| Stock-based compensation | 4,487 | 6,056 |
| Other, net | 631 | 442 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 7,805 | 6,696 |
| Inventories | (13,208) | (4,561) |
| Other receivables | 17,115 | (5,287) |
| Other current assets | (14,117) | 7,933 |
| Accounts payable | (14,792) | (16,192) |
| Other accounts payable | (6,215) | (3,729) |
| Accrued expenses | 5,866 | (1,641) |
| Accrued income taxes | (11,483) | (8,308) |
| Other current liabilities | (1,583) | 555 |
| Other non-current liabilities | 523 | (666) |
| Payment of severance benefits | (4,181) | (4,772) |
| Other, net | (50) | (49) |
| Net cash provided by operating activities | 50,244 | 30,016 |
| Cash flows from investing activities | | |
| Proceeds from settlement of hedge collateral | 2,805 | 3,995 |
| Payment of hedge collateral | (15,282) | (2,744) |
| Purchase of property, plant and equipment | (11,812) | (13,368) |
| Payment for intellectual property registration | (301) | (455) |
| Collection of guarantee deposits | — | 3,192 |
| Payment of guarantee deposits | (2,075) | (4,960) |
| Other, net | 792 | (103) |
| Net cash used in investing activities | (25,873) | (14,443) |
| Cash flows from financing activities | | |
| Proceeds from exercise of stock options | 1,786 | 3,920 |
| Acquisition of treasury stock | (5,065) | (1,653) |
| Repayment of financing related to water treatment facility arrangement | (381) | (427) |
| Repayment of principal portion of finance lease liabilities | (50) | (49) |
| Net cash provided by (used in) financing activities | (3,710) | 1,791 |
| Effect of exchange rates on cash and cash equivalents | (49,377) | (21,003) |
| Net decrease in cash and cash equivalents | (28,716) | (3,639) |
| Cash and cash equivalents | | |
| Beginning of the period | 279,547 | 279,940 |
| End of the period | \$ 250,831 | \$ 276,301 |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ — | \$ 2,094 |
| Cash paid for income taxes | \$ 17,856 | \$ 12,609 |
| Non-cash investing activities | | |
| Property, plant and equipment additions in other accounts payable | \$ 3,957 | \$ 11,513 |
| Non-cash financing activities | | |
| Exchange of exchangeable senior notes into common stock | \$ — | \$ 83,740 |
| Unsettled common stock repurchases | \$ (399) | \$ — |

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 semiconductor platform solutions for communications, Internet of Things (“IoT”) applications, consumer, computing, industrial and automotive applications.

The Company’s standard products business includes its Display Solutions and Power Solutions business lines. The Company’s Display Solutions products provide panel display solutions to major suppliers of large and small rigid and flexible panel displays, and mobile, automotive applications and home appliances. The Company’s Power Solutions products include discrete and integrated circuit solutions for power management in communications, consumer, computing, servers, automotive, and industrial applications.

On September 1, 2020, the Company completed the sale of the Company’s Foundry Services Group business and its fabrication facility located in Cheongju, Korea, known as “Fab 4”. Following the consummation of the sale, and for up to three years, the Company is expected to provide transitional foundry services associated with its fabrication facility located in Gumi, Korea, known as “Fab 3”, at an agreed upon cost plus mark-up (the “Transitional Fab 3 Foundry Services”).

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 results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for a full year or for any other periods.

The December 31, 2021 balance sheet data was derived from the Company’s audited financial statements, but does not include all disclosures required by U.S. GAAP. The interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

There have been no material changes to the Company’s significant accounting policies as of and for the nine months ended September 30, 2022 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, 2021.

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)” (“ASU 2020-06”), which updates various codification topics to simplify the accounting guidance for certain financial instruments with characteristics of liabilities and equity, with a specific focus on convertible instruments and the derivative scope exception for contracts in an entity’s own equity and amends the diluted EPS computation for these instruments. The Company adopted ASU 2020-06 as of January 1, 2022, and the adoption of ASU 2020-06 did not have an impact on the Company’s consolidated financial statements.

In May 2021, the FASB issued ASU No. 2021-04, “Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50)”, Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options” (“ASU 2021-04”), ASU 2021-04 clarifies the accounting for modifications or exchanges of freestanding equity-classified written call options so that the transaction should be treated as an exchange of the original instrument for a new instrument. The Company adopted ASU 2021-04 as of January 1, 2022, and the adoption of ASU 2021-04 did not have an impact on the Company’s consolidated financial statements.

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2. Inventories

Inventories as of September 30, 2022 and December 31, 2021 consist of the following (in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Finished goods | \$ 6,828 | \$ 9,594 |
| Semi-finished goods and work-in-process | 32,431 | 25,968 |
| Raw materials | 9,282 | 9,443 |
| Materials in-transit | 295 | 95 |
| Less: inventory reserve | (11,538) | (5,730) |
| Inventories, net | <u>\$ 37,298</u> | <u>\$ 39,370</u> |

Changes in inventory reserve for the three and nine months ended September 30, 2022 and 2021 are as follows (in thousands):

| | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2021 |
|---|---|--|---|--|
| Beginning balance | \$ (10,206) | \$ (5,730) | \$ (8,101) | \$ (5,901) |
| Change in reserve | | | | |
| Inventory reserve charged to costs of sales | (3,199) | (10,899) | (242) | (5,592) |
| Sale of previously reserved inventory | 672 | 2,996 | 2,099 | 4,076 |
| | (2,527) | (7,903) | 1,857 | (1,516) |
| Write off | 16 | 311 | 180 | 1,110 |
| Translation adjustments | 1,179 | 1,784 | 328 | 571 |
| Ending balance | <u>\$ (11,538)</u> | <u>\$ (11,538)</u> | <u>\$ (5,736)</u> | <u>\$ (5,736)</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.

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3. Property, Plant and Equipment

Property, plant and equipment as of September 30, 2022 and December 31, 2021 are comprised of the following (in thousands):

| | September 30, 2022 | December 31, 2021 |
|------------------------------------|-----------------------|----------------------|
| Buildings and related structures | \$ 21,484 | \$ 24,273 |
| Machinery and equipment | 94,152 | 105,300 |
| Finance lease right-of-use assets | 340 | 316 |
| Others | 29,233 | 32,396 |
| | <u>145,209</u> | <u>162,285</u> |
| Less: accumulated depreciation | (86,281) | (94,119) |
| Land | 11,513 | 13,898 |
| Construction in progress | 23,970 | 25,818 |
| Property, plant and equipment, net | <u>\$ 94,411</u> | <u>\$ 107,882</u> |

Aggregate depreciation expenses totaled \$10,699 thousand and \$10,018 thousand for the nine months ended September 30, 2022 and 2021, respectively.

4. Intangible Assets

Intangible assets as of September 30, 2022 and December 31, 2021 are comprised of the following (in thousands):

| | September 30, 2022 | | |
|------------------------------|-------------------------|-------------------------------------|-----------------------|
| | <u>Gross amount</u> | <u>Accumulated amortization</u> | <u>Net amount</u> |
| Intellectual property assets | \$8,040 | \$ (6,270) | \$1,770 |
| Intangible assets | <u>\$8,040</u> | <u>\$ (6,270)</u> | <u>\$1,770</u> |
| | December 31, 2021 | | |
| | <u>Gross amount</u> | <u>Accumulated amortization</u> | <u>Net amount</u> |
| Intellectual property assets | \$9,312 | \$ (6,935) | \$2,377 |
| Intangible assets | <u>\$9,312</u> | <u>\$ (6,935)</u> | <u>\$2,377</u> |

Aggregate amortization expenses for intangible assets totaled \$526 thousand and \$558 thousand for the nine months ended September 30, 2022 and 2021, respectively.

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5. 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 1 year to 5 years.

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

Supplemental balance sheets information related to leases as of September 30, 2022 and December 31, 2021 are as follows (in thousands):

| Leases | Classification | September 30, 2022 | December 31, 2021 |
|--------------------------------|---|-----------------------|----------------------|
| Assets | | | |
| Operating lease | Operating lease right-of-use assets | \$ 4,928 | \$ 4,275 |
| Finance lease | Property, plant and equipment, net | 141 | 126 |
| Total lease assets | | <u>\$ 5,069</u> | <u>\$ 4,401</u> |
| Liabilities | | | |
| Current | | | |
| Operating | Operating lease liabilities | \$ 1,324 | \$ 2,323 |
| Finance | Other current liabilities | 78 | 68 |
| Non-current | | | |
| Operating | Non-current operating lease liabilities | 3,811 | 1,952 |
| Finance | Other non-current liabilities | 73 | 73 |
| Total lease liabilities | | <u>\$ 5,286</u> | <u>\$ 4,416</u> |

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

| | September 30, 2022 | December 31, 2021 |
|--|-----------------------|----------------------|
| Weighted average remaining lease term | | |
| Operating leases | 3.9 years | 2.4 years |
| Finance leases | 2.5 years | 2.0 years |
| Weighted average discount rate | | |
| Operating leases | 6.58% | 4.20% |
| Finance leases | 7.63% | 7.75% |

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

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Operating lease cost | \$ 557 | \$ 691 | \$ 1,738 | \$ 2,098 |
| Finance lease cost | | | | |
| Amortization of right-of-use assets | 18 | 17 | 48 | 50 |
| Interest on lease liabilities | 2 | 4 | 7 | 11 |
| Total lease cost | <u>\$ 577</u> | <u>\$ 712</u> | <u>\$ 1,793</u> | <u>\$ 2,159</u> |

The above table does not include an immaterial cost of short-term leases for the nine months ended September 30, 2022 and 2021.

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Other lease information is as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Cash paid for amounts included in the measurement of lease liabilities | | | | |
| Operating cash flows from operating leases | \$ 561 | \$ 691 | \$ 1,742 | \$ 2,098 |
| Operating cash flows from finance leases | 2 | 4 | 7 | 11 |
| Financing cash flows from finance leases | 18 | 16 | 50 | 49 |

The aggregate future lease payments for operating and finance leases as of September 30, 2022 are as follows (in thousands):

| | Operating Leases | Finance Leases |
|----------------------------------|---------------------|-------------------|
| Remainder of 2022 | \$ 508 | \$ 22 |
| 2023 | 1,449 | 86 |
| 2024 | 1,330 | 24 |
| 2025 | 1,218 | 23 |
| 2026 | 846 | 11 |
| 2027 | 585 | — |
| Total future lease payments | 5,936 | 166 |
| Less: Imputed interest | (801) | (15) |
| Present value of future payments | \$ 5,135 | \$ 151 |

6. Accrued Expenses

Accrued expenses as of September 30, 2022 and December 31, 2021 are comprised of the following (in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Payroll, benefits and related taxes, excluding severance benefits | \$ 10,552 | \$ 9,548 |
| Withholding tax attributable to intercompany interest income | 3,345 | 1,950 |
| Outside service fees | 1,608 | 1,088 |
| Merger-related costs | — | 7,035 |
| Others | 295 | 450 |
| Accrued expenses | \$ 15,800 | \$ 20,071 |

7. Derivative Financial Instruments

The Company's Korean subsidiary 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 September 30, 2022 are as follows (in thousands):

| <u>Date of transaction</u> | <u>Total notional amount</u> | <u>Month of settlement</u> |
|----------------------------|------------------------------|-------------------------------|
| August 13, 2021 | \$ 15,000 | October 2022 to December 2022 |
| January 04, 2022 | \$ 39,000 | October 2022 to June 2023 |
| March 07, 2022 | \$ 24,000 | July 2023 to December 2023 |
| April 27, 2022 | \$ 51,000 | October 2022 to December 2023 |

Details of the zero cost collar contracts as of December 31, 2021 are as follows (in thousands):

| <u>Date of transaction</u> | <u>Total notional amount</u> | <u>Month of settlement</u> |
|----------------------------|------------------------------|--------------------------------|
| May 13, 2021 | \$ 39,000 | January 2022 to September 2022 |
| August 13, 2021 | \$ 48,000 | January 2022 to December 2022 |

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 September 30, 2022 and December 31, 2021 are as follows (in thousands):

| <u>Derivatives designated as hedging instruments:</u> | | <u>September 30, 2022</u> | <u>December 31, 2021</u> |
|---|-------------------------------|---------------------------|--------------------------|
| Liability Derivatives: | | | |
| Zero cost collars | Other current liabilities | \$ 12,744 | \$ 2,020 |
| Zero cost collars | Other non-current liabilities | \$ 2,318 | \$ — |

Offsetting of derivative liabilities as of September 30, 2022 is as follows (in thousands):

| <u>As of September 30, 2022</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> | |
| Liability Derivatives: | | | | | | |
| Zero cost collars | \$ 15,062 | \$ — | \$ 15,062 | \$ — | \$ (14,370) | \$ 692 |

Offsetting of derivative liabilities as of December 31, 2021 is as follows (in thousands):

| <u>As of December 31, 2021</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> | |
| Liability Derivatives: | | | | | | |
| Zero cost collars | \$ 2,020 | \$ — | \$ 2,020 | \$ — | \$ (2,060) | \$ (40) |

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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 (“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 September 30, 2022 and 2021 (in thousands):

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Loss Recognized in AOCI on Derivatives | | Location/Amount of Loss Reclassified from AOCI Into Statement of Operations | | Location/Amount of Gain Recognized in Statement of Operations on Derivatives | | | |
|--|---|-----------|---|------------|--|-------------------|--------|--------|
| | Three Months Ended September 30, | | Three Months Ended September 30, | | Three Months Ended September 30, | | | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | | |
| | | | | | | | | |
| Zero cost collars | \$(11,757) | \$(3,271) | Net sales | \$ (2,820) | \$ (653) | Other income, net | \$ 146 | \$ 237 |

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the nine months ended September 30, 2022 and 2021 (in thousands):

| Derivatives in ASC 815 Cash Flow Hedging Relationships | Amount of Loss Recognized in AOCI on Derivatives | | Location/Amount of Gain (Loss) Reclassified from AOCI Into Statement of Operations | | Location/Amount of Gain Recognized in Statement of Operations on Derivatives | | | |
|--|---|-----------|--|------------|--|-------------------|--------|-------|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | | Nine Months Ended September 30, | | | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | | |
| | | | | | | | | |
| Zero cost collars | \$(19,498) | \$(4,964) | Net sales | \$ (5,378) | \$ 333 | Other income, net | \$ 201 | \$ 94 |

As of September 30, 2022, the amount expected to be reclassified from accumulated other comprehensive loss into loss within the next 12 months is \$13,262 thousand.

The Company set aside cash deposits to the counterparties, Nomura Financial Investment (Korea) Co., Ltd. (“NFIK”) and Standard Chartered Bank Korea Limited (“SC”), as required for the zero cost collar contracts. These cash deposits are recorded as hedge collateral on the consolidated balance sheets. Cash deposits as of September 30, 2022 and December 31, 2021 are as follows (in thousands):

| Counterparties | September 30, 2022 | December 31, 2021 |
|----------------|-----------------------|----------------------|
| SC | \$ 1,000 | \$ 1,000 |

The Company is required to deposit additional cash collateral with NFIK and SC for any exposure in excess of \$500 thousand. As of September 30, 2022, \$11,670 thousand and \$2,700 thousand of additional cash collateral was required by NFIK and SC, respectively, and recorded as hedge collateral on the consolidated balance sheet. As of December 31, 2021, \$760 thousand and \$1,300 thousand of additional cash collateral was required by NFIK and SC, respectively, 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](#)**8. Fair Value Measurements***Fair Value of Financial Instruments*

As of September 30, 2022, 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</u> <u>September 30, 2022</u> | <u>Fair Value</u> <u>Measurement</u> <u>September 30, 2022</u> | <u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical</u> <u>Liability (Level 1)</u> | <u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u> | <u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u> |
|--|--|--|--|--|--|
| Liabilities: | | | | | |
| Derivative liabilities (other current liabilities) | \$ 12,744 | \$ 12,744 | — | \$ 12,744 | — |
| Derivative liabilities (other non-current liabilities) | \$ 2,318 | \$ 2,318 | — | \$ 2,318 | — |

As of December 31, 2021, 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</u> <u>December 31, 2021</u> | <u>Fair Value</u> <u>Measurement</u> <u>December 31, 2021</u> | <u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical</u> <u>Liability (Level 1)</u> | <u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u> | <u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u> |
|--|---|---|--|--|--|
| Liabilities: | | | | | |
| Derivative liabilities (other current liabilities) | \$ 2,020 | \$ 2,020 | — | \$ 2,020 | — |

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.

9. Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company's Korean subsidiary. 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 September 30, 2022, 97% of all employees of the Company were eligible for severance benefits.

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

| | <u>Three Months Ended</u> | | <u>Three Months Ended</u> | |
|--|---------------------------|------------------|---------------------------|------------------|
| | <u>September 30, 2022</u> | | <u>September 30, 2021</u> | |
| | | | | |
| Beginning balance | \$ 47,586 | \$ 51,567 | \$ 53,105 | \$ 54,452 |
| Provisions | 1,923 | 5,163 | 2,007 | 5,514 |
| Severance payments | (1,247) | (4,181) | (1,936) | (4,772) |
| Translation adjustments | (4,730) | (9,017) | (2,441) | (4,459) |
| | 43,532 | 43,532 | 50,735 | 50,735 |
| Less: Cumulative contributions to severance insurance deposit accounts | (15,292) | (15,292) | (12,739) | (12,739) |
| The National Pension Fund | (40) | (40) | (55) | (55) |
| Group severance insurance plan | (164) | (164) | (200) | (200) |
| Accrued severance benefits, net | <u>\$ 28,036</u> | <u>\$ 28,036</u> | <u>\$ 37,741</u> | <u>\$ 37,741</u> |

The severance benefits funded through the Company's National Pension Fund and group severance insurance plan 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. 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):

| | <u>Severance benefit</u> |
|-------------------|--------------------------|
| Remainder of 2022 | \$ 212 |
| 2023 | 534 |
| 2024 | 769 |
| 2025 | 1,273 |
| 2026 | 1,772 |
| 2027 | 1,463 |
| 2028 – 2032 | 17,223 |

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.

10. 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 the Company's Korean subsidiary. 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 September 30, 2022 and December 31, 2021, the outstanding intercompany loan balances including accrued interest between the Korean subsidiary and the Dutch subsidiary were \$356,746 thousand and \$344,411 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,434.8:1 and 1,185.5:1 using the first base rate as of September 30, 2022 and December 31, 2021, respectively, as quoted by the KEB Hana Bank.

11. Income Taxes

The Company and its subsidiaries file income tax returns in Korea, 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 and nine months ended September 30, 2022, the Company recorded an income tax benefit of \$3,942 thousand and \$1,356 thousand, respectively, primarily attributable to a decrease in its Korean subsidiary's pre-tax income for the respective period due to the foreign currency translation loss recorded in its Korean subsidiary in connection with intercompany loans.

For the three and nine months ended September 30, 2021, the Company recorded an income tax expense of \$3,149 thousand and \$6,040 thousand, respectively, primarily attributable to the Company's Korean subsidiary based on its estimated taxable income for the respective period, combined with its ability to utilize net operating loss carryforwards up to 60%, and interest on intercompany loan balances.

12. Geographic and Other Information

The following sets forth information relating to the single operating segment (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Revenues | | | | |
| Standard products business | | | | |
| Display Solutions | \$ 6,355 | \$ 58,528 | \$ 63,876 | \$ 164,024 |
| Power Solutions | 56,416 | 58,887 | 184,193 | 169,565 |
| Total standard products business | 62,771 | 117,415 | 248,069 | 333,589 |
| Transitional Fab 3 foundry services | 8,428 | 9,585 | 28,599 | 30,306 |
| Total revenues | \$ 71,199 | \$ 127,000 | \$ 276,668 | \$ 363,895 |

| | Three Months Ended | | Nine Months Ended | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Gross Profit | | | | |
| Standard products business | | | | |
| Display Solutions | \$ 17,274 | \$ 45,773 | \$ 82,872 | \$ 112,291 |
| Power Solutions | (49) | 814 | 2,294 | 2,648 |
| Total gross profit | \$ 17,225 | \$ 46,587 | \$ 85,166 | \$ 114,939 |

The following is a summary of net sales—standard products business (which does not include the Transitional Fab 3 Foundry Services) by geographic region, based on the location to which the products are billed (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Korea | \$ 23,867 | \$ 29,664 | \$ 86,065 | \$ 86,966 |
| Asia Pacific (other than Korea) | 34,612 | 84,220 | 148,940 | 237,312 |
| United States | 2,718 | 1,756 | 8,074 | 4,393 |
| Europe | 1,574 | 1,398 | 4,990 | 3,847 |
| Others | — | 377 | — | 1,071 |
| Total | \$ 62,771 | \$ 117,415 | \$ 248,069 | \$ 333,589 |

For the three months ended September 30, 2022 and 2021, of the Company's net sales – standard products business in Asia Pacific (other than Korea), net sales – standard products business in China and Hong Kong represented 74.2% and 72.0%, respectively, and net sales—standard products business in Vietnam represented 2.4% and 19.6%, respectively. For the nine months ended September 30, 2022 and 2021, of the Company's net sales – standard products business in Asia Pacific (other than Korea), net sales – standard products business in China and Hong Kong represented 66.4% and 63.4%, respectively, and net sales—standard products business in Vietnam represented 16.2% and 29.5%, respectively.

Net sales from the Company's top ten largest customers in the standard products business (which does not include the Transitional Fab 3 Foundry Services) accounted for 64% and 81% for the three months ended September 30, 2022 and 2021, respectively, and 70% and 81% for the nine months ended September 30, 2022 and 2021, respectively.

For the three months ended September 30, 2022, the Company had one customer that represented 16.2% of its net sales – standard products business. For the nine months ended September 30, 2022, the Company had two customers that represented 20.6% and 13.9% of its net sales – standard products business. For the three months ended September 30, 2021, the Company had two customers that represented 44.7% and 10.1% of its net sales – standard products business. For the nine months ended September 30, 2021, the Company had two customers that represented 44.6% and 10.6% of its net sales – standard products business.

As of September 30, 2022, two customers of the Company's standard products business accounted for 24.1% and 11.8% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively. As of December 31, 2021, two customers of the Company's standard products business accounted for 31.5% and 16.1% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively.

13. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following as of September 30, 2022 and December 31, 2021, respectively (in thousands):

| | September 30, 2022 | December 31, 2021 |
|--|---------------------------|--------------------------|
| Foreign currency translation adjustments | \$ (16,651) | \$ (770) |
| Derivative adjustments | (15,580) | (1,460) |
| Total | <u>\$ (32,231)</u> | <u>\$ (2,230)</u> |

Changes in accumulated other comprehensive loss for the three months ended September 30, 2022 and 2021 are as follows (in thousands):

| | Foreign currency translation adjustments | Derivative adjustments | Total |
|--|---|---------------------------|--------------------|
| Three Months Ended September 30, 2022 | | | |
| Beginning balance | \$ (10,677) | \$ (6,643) | \$ (17,320) |
| Other comprehensive loss before reclassifications | (5,974) | (11,757) | (17,731) |
| Amounts reclassified from accumulated other comprehensive loss | — | 2,820 | 2,820 |
| Net current-period other comprehensive loss | (5,974) | (8,937) | (14,911) |
| Ending balance | <u>\$ (16,651)</u> | <u>\$ (15,580)</u> | <u>\$ (32,231)</u> |
| Three Months Ended September 30, 2021 | | | |
| Beginning balance | \$ 120 | \$ (1,045) | \$ (925) |
| Other comprehensive loss before reclassifications | (860) | (3,271) | (4,131) |
| Amounts reclassified from accumulated other comprehensive loss | — | 653 | 653 |
| Net current-period other comprehensive loss | (860) | (2,618) | (3,478) |
| Ending balance | <u>\$ (740)</u> | <u>\$ (3,663)</u> | <u>\$ (4,403)</u> |

Changes in accumulated other comprehensive loss for the nine months ended September 30, 2022 and 2021 are as follows (in thousands):

| | Foreign currency translation adjustments | Derivative adjustments | Total |
|--|---|---------------------------|--------------------|
| Nine Months Ended September 30, 2022 | | | |
| Beginning balance | \$ (770) | \$ (1,460) | \$ (2,230) |
| Other comprehensive loss before reclassifications | (15,881) | (19,498) | (35,379) |
| Amounts reclassified from accumulated other comprehensive loss | — | 5,378 | 5,378 |
| Net current-period other comprehensive loss | (15,881) | (14,120) | (30,001) |
| Ending balance | <u>\$ (16,651)</u> | <u>\$ (15,580)</u> | <u>\$ (32,231)</u> |
| Nine Months Ended September 30, 2021 | | | |
| Beginning balance | \$ 2,069 | \$ 1,634 | \$ 3,703 |
| Other comprehensive loss before reclassifications | (2,809) | (4,964) | (7,773) |
| Amounts reclassified from accumulated other comprehensive income | — | (333) | (333) |
| Net current-period other comprehensive loss | (2,809) | (5,297) | (8,106) |
| Ending balance | <u>\$ (740)</u> | <u>\$ (3,663)</u> | <u>\$ (4,403)</u> |

14. Stock Repurchases

On December 21, 2021, the Board of Directors authorized the Company to repurchase up to \$75,000 thousand of the Company's outstanding common stock and the Company entered into an accelerated stock repurchase agreement (the "ASR Agreement") with JPMorgan Chase Bank, National Association ("JPM") to repurchase an aggregate of \$37,500 thousand of the Company's common stock.

Pursuant to the terms of the ASR Agreement dated December 21, 2021, the Company paid to JPM \$37,500 thousand in cash and received an initial delivery of 994,695 shares of its common stock in the open market for an aggregate purchase price of \$20,073 thousand and a price per share of \$20.18 on December 22, 2021.

As of December 31, 2021, the Company accounted for the remaining portion of the ASR Agreement as a forward contract indexed to its own common stock and recorded \$17,427 thousand in additional paid-in capital in stockholders' equity in its consolidated balance sheets.

In March 2022, the previously announced repurchase of \$37,500 thousand of the Company's common stock was completed pursuant to the ASR Agreement, and as a result, the Company additionally received 1,031,576 shares of its common stock for an aggregate purchase price of \$17,217 thousand at a price per share of \$16.69, which was reclassified as treasury stock from additional paid-in capital in stockholder's equity in the Company's consolidated balance sheets.

On August 31, 2022, the Board of Directors has authorized an expansion of the Company's previously announced stock repurchase program from \$75,000 thousand to \$87,500 thousand of the Company's common stock.

In September 2022, the Company repurchased 324,643 shares of its common stock in the open market for an aggregate purchase price of \$3,638 thousand and a price per share of \$11.21 under the stock repurchase program.

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15. Earnings (Loss) Per Share

The following table illustrates the computation of basic and diluted earnings (loss) per common share for the three and nine months ended September 30, 2022 and 2021:

| | Three Months Ended | | Nine Months Ended | |
|---|---|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| | (In thousands of U.S. dollars, except share data) | | | |
| Basic earnings (loss) per share | | | | |
| Net income (loss) | \$ (17,195) | \$ 10,768 | \$ (11,007) | \$ 3,097 |
| Basic weighted average common stock outstanding | 44,865,266 | 46,449,234 | 45,119,214 | 44,377,250 |
| Basic earnings (loss) per common share | \$ (0.38) | \$ 0.23 | \$ (0.24) | \$ 0.07 |
| Diluted earnings (loss) per share | | | | |
| Net income (loss) | \$ (17,195) | \$ 10,768 | \$ (11,007) | \$ 3,097 |
| Basic weighted average common stock outstanding | 44,865,266 | 46,449,234 | 45,119,214 | 44,377,250 |
| Net effect of dilutive equity awards | — | 1,359,223 | — | 1,434,542 |
| Diluted weighted average common stock outstanding | 44,865,266 | 47,808,457 | 45,119,214 | 45,811,792 |
| Diluted earnings (loss) per share | \$ (0.38) | \$ 0.23 | \$ (0.24) | \$ 0.07 |

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

| | Three Months Ended | | Nine Months Ended | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Options | 1,141,551 | 50,000 | 1,141,551 | 50,000 |
| Restricted Stock Units | 1,014,124 | — | 1,014,124 | — |

For the nine months ended September 30, 2021, 1,906,786 shares, of potential common stock from the assumed conversion of Exchangeable Notes were also excluded from the computation of diluted loss per share as the effect were anti-dilutive for the period.

Rights Plan

The Company entered into a Rights Agreement, dated as of December 13, 2021, between the Company and American Stock Transfer & Trust Company, LLC, as rights agent (the “Rights Agreement”), and the Board of Directors of the Company authorized and declared a dividend of one preferred stock purchase right (a “Right” and collectively, the “Rights”) for each share of the Company’s common stock, par value \$0.01 per share, outstanding at the close of business on December 23, 2021. Each Right, once exercisable, will entitle the registered holder to purchase from the Company one one-thousandth of a share of Series A-1 Junior Participating Preferred Stock, par value \$0.01 per share, at a purchase price of \$80, subject to adjustment (the “Purchase Price”). The Rights are not presently exercisable and remain attached to the shares of common stock unless and until the occurrence of the earlier of the following (the “Distribution Date”): (i) the tenth day after the public announcement or disclosure by the Company or any person or group of affiliated or associated persons that any person or group of affiliated or associated persons has become an “Acquiring Person” by obtaining beneficial ownership of 12.5% (or 20% in the case of a “passive institutional investor,” which is defined generally as any person who has reported beneficial ownership of shares of common stock on Schedule 13G under the Securities Exchange Act of 1934) or more of the Company’s outstanding common stock, subject to certain exceptions; or (ii) the tenth business day (or such later date as the Company’s Board of Directors may designate before a person or group of affiliated or associated persons becomes an Acquiring Person) after (and not including) the commencement of, or first public announcement of the intent of any person to commence, a tender or exchange offer by any person or group of affiliated or associated persons, which would, if consummated, result in such person or group becoming an Acquiring Person. The Board of Directors may redeem all of the Rights for \$0.001 per Right at any time before any person or group of affiliated or associated persons becomes an Acquiring Person. In addition, at any time on or after any person or group of affiliated or associated persons becomes an Acquiring Person (but before any person or group of affiliated or associated persons becomes the owner of 50% or more of the Company’s outstanding common stock), the Board of Directors may exchange all or part of the Rights (other than the Rights beneficially owned by the Acquiring Person and certain affiliated persons) for shares of common stock at an exchange ratio of one share of common stock per Right. The Rights will expire at the close of business on December 12, 2022, unless redeemed or exchanged prior to that time.

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If any person or group of affiliated or associated persons becomes an Acquiring Person, then, after the Distribution Date, each Right (other than Rights beneficially owned by the Acquiring Person and certain affiliated persons or transferees thereof) will entitle the holder to purchase, for the Purchase Price, a number of shares of common stock having a market value of twice the Purchase Price. Alternatively, if, after any person or group of affiliated or associated persons becomes an Acquiring Person, (1) the Company is involved in a merger or other business combination in which the Company is not the surviving corporation or its common stock is changed into or exchanged for other securities or assets; or (2) the Company or one or more of its subsidiaries sell or otherwise transfer assets or earning power aggregating more than 50% of the assets or earning power of the Company and its subsidiaries, taken as a whole, then each Right (other than Rights beneficially owned by the Acquiring Person and certain affiliated persons) will entitle the holder to purchase, for the Purchase Price, a number of shares of common stock of the other party to such business combination or sale (or in certain circumstances, an affiliate) having a market value of twice the Purchase Price.

16. Merger Agreement

On March 25, 2021, the Company, South Dearborn Limited, an exempted company incorporated in the Cayman Islands with limited liability (“Holdco”), formed by an affiliate of Wise Road Capital LTD (“Wise Road”), and Michigan Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Holdco (“Merger Sub”), entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”), providing for, among other things and subject to the terms and conditions thereof, the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of Holdco.

The closing of the Merger was subject to certain conditions, including clearance by the Committee on Foreign Investment in the United States (“CFIUS”) under the Defense Production Act of 1950, as amended. The Company and Holdco were advised that CFIUS clearance of the Merger would not be forthcoming and received permission from CFIUS to withdraw their joint filing. In connection therewith, the Company and Holdco entered into a Termination and Settlement Agreement, dated December 13, 2021 (the “Termination Agreement”), pursuant to which Holdco agreed to pay \$70,200 thousand (the “Termination Fee”) to the Company on the terms specified in the Termination Agreement in satisfaction of Holdco’s obligation to pay a termination fee in connection with the termination of the Merger Agreement. On December 20, 2021, the Merger Agreement was terminated pursuant to the Termination Agreement after the Company’s receipt of a fee of \$51,000 thousand from Holdco and a standby letter of credit, which secures a deferred fee of \$19,200 thousand from Holdco due on or before March 31, 2022. As of December 31, 2021, of the Termination Fee, \$19,200 thousand deferred fee was recorded as other receivables. In connection therewith, the Company, Holdco and Wise Road entered into a First Amendment to the Termination Agreement, dated April 4, 2022, pursuant to which Holdco paid \$14,400 thousand on April 4, 2022, with \$4,800 thousand remaining outstanding. The Company, Holdco and Wise Road entered into a Second Amendment to the Termination Agreement, dated August 5, 2022 pursuant to which Holdco paid \$3,000 thousand on August 5, 2022, of the deferred fee and payment of the remaining \$1,800 thousand is due on or before October 31, 2022. The Company, Holdco and Wise Road entered into a Letter Agreement, dated October 28, 2022 pursuant to which the parties agreed to defer the remaining \$1,800 thousand due on or before December 23, 2022. As of September 30, 2022, the remaining fee of \$1,800 thousand was recorded as other receivables. Other than in respect of this receivable, the Company has no further relationship with Holdco.

For the three and nine months ended September 30, 2021, the Company incurred \$1,552 thousand and \$13,842 thousand, respectively, of professional fees and certain transaction related-expenses incurred in connection with the Merger, which were recognized in merger-related costs in the consolidated statements of operations.

17. 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 \$9,532 thousand and \$1,708 thousand as other current assets as of September 30, 2022 and December 31, 2021, respectively.

COVID-19 Pandemic

In December 2019, a strain of coronavirus causing a disease known as COVID-19 surfaced in Wuhan, China, resulting in significant disruptions among Chinese manufacturing and other facilities and travel throughout China. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governmental authorities throughout the world have implemented numerous containment measures, including travel bans and restrictions, quarantines, shelter-in-place orders, and business restrictions and shutdowns, resulting in rapidly changing market and economic conditions. Although some of these restrictions and other containment measures have since been lifted or scaled back, ongoing surges of COVID-19 have in some cases resulted in the re-imposition of certain restrictions and containment measures, and may continue to lead to other restrictions being re-implemented in the foreseeable future in response to efforts to reduce the rapid spread of COVID-19.

The Company experienced some minor disruption in its Power Solutions business from assembly and test subcontractors located in China in the first quarter of 2020 as a result of the COVID-19 pandemic. To date, its external Display Solutions business contractors and sub-contractors have not been materially impacted by the COVID-19 pandemic. The Company is, however, unable to accurately predict the full impact that the COVID-19 pandemic will have on its future results of operations due to numerous uncertainties. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which, despite progress in vaccination efforts, are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the COVID-19 pandemic, such as new strains of the virus, including the Delta and Omicron variants and any future variants that may emerge, which may impact rates of infection and vaccination efforts, developments or perceptions regarding the safety of vaccines and the extent and effectiveness of actions to contain the COVID-19 pandemic or treat its impact, including vaccination campaigns and lockdown measures, among others. In addition, recurrences or additional waves of COVID-19 cases could cause other widespread or more severe impacts depending on where infection rates are highest. The Company cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if the Company or any of its customers and suppliers were to experience prolonged business shutdowns or other disruptions, its ability to conduct its business could be materially and negatively affected, which could have a material adverse impact on its business, results of operations and financial condition.

The Company continues to closely monitor and evaluate the nature and scope of the impact of the COVID-19 pandemic to its business, consolidated results of operations, and financial condition, and may take further actions altering its business operations and managing its costs and liquidity that the Company deems necessary or appropriate to respond to this ongoing and uncertain global health crisis and the resulting global economic consequences.

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, 2021 filed on February 23, 2022 (“2021 Form 10-K”) (including that the impact of the COVID-19 pandemic may also exacerbate the risks discussed therein).

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 semiconductor platform solutions for communications, IoT applications, consumer, computing, industrial and automotive applications. We have a proven record with more than 40 years of operating history, a portfolio of approximately 1,100 registered patents and pending applications and extensive engineering and manufacturing process expertise.

Our standard products business includes our Display Solutions and Power Solutions business lines.

Our Display Solutions line of products provide flat panel display solutions to major suppliers of large and small flat panel displays. These products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in mobile communications, automobiles, entertainment devices, notebook PCs, monitors and liquid crystal display (LCD), organic light emitting diodes (OLED) and Micro light emitting diode (Micro LED) televisions. Our Display Solutions products support some of the industry’s most advanced display technologies, such as OLEDs, low temperature polysilicon thin film transistors (LTPS TFTs), as well as high-volume display technologies such as amorphous silicon thin film transistors (a-Si TFTs). Since 2007, we have designed and manufactured OLED display driver integrated circuit (IC) products. Our current portfolio of OLED solutions address a wide range of resolutions ranging from HD (High Definition) to WQHD (Wide Quadruple High Definition) for wide range of applications including smartphones, TVs, automobiles and IT applications such as monitors, notebook PCs, tablet PCs as well as AR/VRs.

Our Power Solutions business line produces power management semiconductor products including discrete and integrated circuit solutions for power management in communications, consumer, computing, servers, automotive, and industrial applications. These products include metal oxide semiconductor field effect transistors (MOSFETs), insulated-gate bipolar transistors (IGBTs), AC-DC/DC-DC converters, LED drivers, regulators and power management integrated circuits (PMICs) for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop PCs, notebooks, tablet PCs, other consumer electronics, automotive, and industrial applications such as power suppliers, e-bikes, solar inverters, LED lighting and motor drives.

Our wide variety of analog and mixed-signal 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 and substantial manufacturing operation in Korea 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 OLED products are produced using external 12-inch foundries. Through a strategic cooperation with external 12-inch foundries, we are managing 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 communications, IoT, consumer and industrial 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.

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Net sales for our standard products 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 standard products 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 those products which do require advanced technology and 12-inch and 8-inch wafer capacity, such as organic light emitting diodes (OLED). We believe this balanced capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

Since 2007, we had designed and manufactured OLED display driver ICs in our internal manufacturing facilities. As we expanded our design capabilities to products that require lower geometries unavailable at our existing manufacturing facilities, we began outsourcing manufacturing of certain OLED display driver ICs to external 12-inch foundries starting in the second half of 2015 and we have started outsourcing 8-inch wafer for OLED TV IC after the sale of our fabrication facility located in Cheongju in 2020. This additional source of manufacturing is an increasingly important part of our supply chain management. By outsourcing manufacturing of OLED products to external foundries, we are able to adapt dynamically to changing customer requirements and address growing markets without substantial capital investments by us. However, relying on external foundries exposes us to the risk of being unable to secure manufacturing capacity, particularly under the current global shortage of foundry services. Although we are working strategically with external foundries to ensure long-term wafer capacity, if these efforts are 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

Expanded Stock Repurchase Program

On August 31, 2022, our Board of Directors authorized an expansion of the previously announced stock repurchase program from \$75.0 million to \$87.5 million of our common stock. We have already repurchased shares worth \$37.5 million under the program through an accelerated stock repurchase agreement on December 21, 2021 with JPMorgan Chase Bank, National Association. The remaining \$50.0 million of the expanded \$87.5 million program will be repurchased in the open market or through privately negotiated transactions. In connection with the repurchase program, we have established a stock trading plan with Oppenheimer & Co. Inc. in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

In September 2022, we repurchased 324,643 shares of our common stock in the open market for an aggregate purchase price of \$3.6 million and a price per share of \$11.21 under the stock repurchase program.

Global Semiconductor Industry Trends

Increases in demand for semiconductor products resulted in a global shortage of manufacturing capacity in recent periods. As a result, we may experience increased costs to manufacture our products and may not be able to manufacture and deliver all of the orders placed by our customers. Specifically, if we are unable to secure manufacturing capacity from the external foundries we rely on, our ability to deliver products to our customers may be negatively impacted. Also, shortage of manufacturing capacity may lead to an increase in our manufacturing costs. Our principal pricing strategy is to pass on the increased manufacturing costs to our customers; however, we may not be fully able to do this in all cases. Total revenues for the three and nine months ended September 30, 2022 were severely impacted by these persisting supply shortages, in particular for 28nm 12-inch OLED wafers, which impacted design-in projects from our large panel customer in Korea that are typically given 9 to 12 months in advance.

In an effort to minimize the potential adverse impact of the supply shortage, we are working strategically with certain external foundries to help ensure long-term wafer capacity. If these efforts are unsuccessful, however, such shortage could limit our ability to meet demand for our products in the future, which would adversely affect our reputation and competitive position, resulting in a negative impact on results of operations.

We are not able to foresee when the shortage of manufacturing capacity will subside, but we are beginning to see some indicators of improvement of such supply shortage situation. However, the global shortage for semiconductor products over the prior two years has led to overbooking backordered demand and oversupply. As a result, the current global macroeconomic conditions, including COVID-19 lockdowns in China, higher inflation and interest rates and uncertainty caused by the Russian-Ukraine war, have led to weaker end-market demand and an oversupply of inventory. We continue to monitor these trends and uncertainties, and any decline in end-market demand and increase in inventory levels could negatively impact our financial condition and results of operations.

COVID-19 Pandemic

In December 2019, a strain of coronavirus causing a disease known as COVID-19 surfaced in Wuhan, China, resulting in significant disruptions among Chinese manufacturing and other facilities and travel throughout China. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governmental authorities throughout the world have implemented numerous containment measures, including travel bans and restrictions, quarantines, shelter-in-place orders, and business restrictions and shutdowns, resulting in rapidly changing market and economic conditions. Although some of these restrictions and other containment measures have since been lifted or scaled back, ongoing surges of COVID-19 have, in some cases, resulted in the re-imposition of certain restrictions and containment measures, and may continue to lead to other restrictions being re-implemented in the foreseeable future in response to efforts to reduce the rapid spread of COVID-19.

We experienced some minor disruption in our Power Solutions business line from assembly and test subcontractors located in China in the first quarter of 2020 as a result of the COVID-19 pandemic. To date, our external Display Solutions business line contractors and sub-contractors have not been materially impacted by the COVID-19 pandemic. We are, however, unable to accurately predict the full impact that the COVID-19 pandemic will have on future results of operations due to numerous uncertainties. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which, despite progress in vaccination efforts, are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the COVID-19 pandemic, such as new strains of the virus, including the Delta and Omicron variants and any future variants that may emerge, which may impact rates of infection and vaccination efforts, developments or perceptions regarding the safety of vaccines and the extent and effectiveness of actions to contain the COVID-19 pandemic or treat its impact, including vaccination campaigns and lockdown measures, among others. In addition, recurrences or additional waves of COVID-19 cases could cause other widespread or more

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severe impacts depending on where infection rates are highest. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of our customers and suppliers were to experience prolonged business shutdowns or other disruptions, our ability to conduct our business could be materially and negatively affected, which could have a material adverse impact on our business, results of operations and financial condition.

We continue to closely monitor and evaluate the nature and scope of the impact of the COVID-19 pandemic to our business, consolidated results of operations, and financial condition, and may take further actions altering our business operations and managing our costs and liquidity that we deem necessary or appropriate to respond to this ongoing and uncertain global health crisis and the resulting global economic consequences.

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

Adjusted EBITDA, Adjusted Operating Income and Adjusted Net Income

We use the terms Adjusted EBITDA, Adjusted Operating Income and Adjusted Net Income (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, (iii) derivative valuation gain, net, (iv) inventory reserve related to Huawei impact of downstream trade restrictions, (v) Merger-related costs and (vi) other charges, net. EBITDA for the periods indicated is defined as net income (loss) before interest income, net, 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 from continuing operations, cash flows from operating activities or net income, as determined in accordance with U.S. GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

| | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2021 |
|--|--|---|--|---|
| | (Dollars in millions) | | | |
| Net income (loss) | \$ (17.2) | \$ (11.0) | \$ 10.8 | \$ 3.1 |
| Interest income, net | (1.5) | (2.7) | (0.4) | (0.5) |
| Income tax expense (benefit) | (3.9) | (1.4) | 3.1 | 6.0 |
| Depreciation and amortization | 3.6 | 11.2 | 3.6 | 10.6 |
| EBITDA | <u>\$ (19.0)</u> | <u>\$ (3.8)</u> | <u>\$ 17.1</u> | <u>\$ 19.2</u> |
| Adjustments: | | | | |
| Equity-based compensation expense(a) | 0.9 | 4.5 | 2.0 | 6.1 |
| Foreign currency loss, net(b) | 12.8 | 20.5 | 7.6 | 12.0 |
| Derivative valuation gain, net(c) | (0.1) | (0.2) | (0.2) | (0.1) |
| Inventory reserve related to Huawei impact of downstream trade restrictions(d) | — | — | (1.1) | (1.1) |
| Merger-related costs(e) | — | — | 1.6 | 13.8 |
| Other charges, net(f) | 2.5 | 3.3 | (0.5) | 2.6 |
| Adjusted EBITDA | <u>\$ (3.0)</u> | <u>\$ 24.3</u> | <u>\$ 26.4</u> | <u>\$ 52.6</u> |

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- (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 and nine months ended September 31, 2021, this adjustment eliminates the impact of a partial sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as a portion of reserved inventory was subsequently sold to certain other customers. As this adjustment meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this adjustment is excluded.
- (e) For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses incurred in connection with the contemplated Merger transaction (see "Note 16. Merger Agreement" to our consolidated financial statements under "Item 1. Interim Consolidated Financial Statements"). As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.
- (f) For the three and nine months ended September 30, 2022, this adjustment eliminates \$2.8 million of one-time employee incentives, in each period, and professional service fees and expenses of \$0.2 million and \$1.0 million, respectively, incurred in connection with certain strategic evaluations, both of which were offset in part by a \$0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses of \$0.2 million and \$3.4 million, respectively, incurred in connection with the regulatory requests, both of which were offset in part by a \$0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the third quarter. As these adjustments meaningfully impacted our operating results and are not expected to represent ongoing operating expenses to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

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.

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We present Adjusted Operating Income as supplemental measures of our performance. We prepare Adjusted Operating Income 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 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 from ongoing business operations.

Adjusted Operating Income is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to operating income, income from continuing operations, cash flows from operating activities or net income, as determined 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 differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Operating Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Operating Income for the periods indicated as operating income adjusted to exclude (i) equity-based compensation expense (ii) inventory reserve related to Huawei impact of downstream trade restrictions, (iii) Merger-related costs and (iv) other charges, net.

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

| | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2021 |
|--|--|---|--|---|
| | (Dollars in millions) | | | |
| Operating income (loss) | \$ (10.0) | \$ 4.9 | \$ 20.0 | \$ 19.5 |
| Adjustments: | | | | |
| Equity-based compensation expense(a) | 0.9 | 4.5 | 2.0 | 6.1 |
| Inventory reserve related to Huawei impact of downstream trade restrictions(b) | — | — | (1.1) | (1.1) |
| Merger-related costs(c) | — | — | 1.6 | 13.8 |
| Other charges, net(d) | 2.5 | 3.3 | 0.2 | 3.4 |
| Adjusted Operating Income (Loss) | <u>\$ (6.6)</u> | <u>\$ 12.7</u> | <u>\$ 22.7</u> | <u>\$ 41.7</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) For the three and nine months ended September 31, 2021, this adjustment eliminates the impact of a partial sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as a portion of reserved inventory was subsequently sold to certain other customers. As this adjustment meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this adjustment is excluded.
- (c) For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses incurred in connection with the contemplated Merger transaction (see "Note 16. Merger Agreement" to our consolidated financial statements under "Item 1. Interim Consolidated Financial Statements"). As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.
- (d) For the three and nine months ended September 30, 2022, this adjustment eliminates \$2.8 million of one-time employee incentives, in each period, and professional service fees and expenses of \$0.2 million and \$1.0 million, respectively, incurred in connection with certain strategic evaluations, both of which were offset in part by a \$0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses of \$0.2 million and \$3.4 million, respectively, incurred in connection with the regulatory requests. As these adjustments meaningfully impacted our operating results and are not expected to represent ongoing operating expenses to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

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We present Adjusted Net Income (including on a per share basis) as a further supplemental measure of our performance. We prepare Adjusted Net Income (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 (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 (including on a per share basis) for a number of reasons, including:

- we use Adjusted Net Income (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 (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 (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 from continuing operations, cash flows from operating activities or net income, as determined 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 Net Income (including on a per share basis) differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income (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 (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 loss (gain), net, (iv) inventory reserve related to Huawei impact of downstream trade restrictions, (v) Merger-related costs, (vi) other charges, net and (vii) income tax effect on non-GAAP adjustments.

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

| | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2021 |
|--|--|---|--|---|
| | (Dollars in millions, except per share data) | | | |
| Net income (loss) | \$ (17.2) | \$ (11.0) | \$ 10.8 | \$ 3.1 |
| Adjustments: | | | | |
| Equity-based compensation expense(a) | 0.9 | 4.5 | 2.0 | 6.1 |
| Foreign currency loss, net(b) | 12.8 | 20.5 | 7.6 | 12.0 |
| Derivative valuation gain, net(c) | (0.1) | (0.2) | (0.2) | (0.1) |
| Inventory reserve related to Huawei impact of downstream trade restrictions(d) | — | — | (1.1) | (1.1) |
| Merger-related costs(e) | — | — | 1.6 | 13.8 |
| Other charges, net(f) | 2.5 | 3.3 | (0.5) | 2.6 |
| Income tax effect on non-GAAP adjustments(g) | 2.3 | 7.5 | — | — |
| Adjusted Net Income | <u>\$ 1.1</u> | <u>\$ 24.6</u> | <u>\$ 20.1</u> | <u>\$ 36.5</u> |
| Reported earnings (loss) per share – basic | \$ (0.38) | \$ (0.24) | \$ 0.23 | \$ 0.07 |
| Reported earnings (loss) per share – diluted | \$ (0.38) | \$ (0.24) | \$ 0.23 | \$ 0.07 |
| Weighted average number of shares – basic | 44,865,266 | 45,119,214 | 46,449,234 | 44,377,250 |
| Weighted average number of shares – diluted | 44,865,266 | 45,119,214 | 47,808,457 | 45,811,792 |
| Adjusted earnings per share – basic | \$ 0.02 | \$ 0.55 | \$ 0.43 | \$ 0.82 |
| Adjusted earnings per share – diluted | \$ 0.02 | \$ 0.53 | \$ 0.42 | \$ 0.78 |
| Weighted average number of shares – basic | 44,865,266 | 45,119,214 | 46,449,234 | 44,377,250 |
| Weighted average number of shares – diluted | 45,747,255 | 46,134,231 | 47,808,457 | 47,718,578 |

- (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.

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- (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 and nine months ended September 31, 2021, this adjustment eliminates the impact of a partial sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as a portion of reserved inventory was subsequently sold to certain other customers. As this adjustment meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this adjustment is excluded.
- (e) For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses incurred in connection with the contemplated Merger transaction (see "Note 16. Merger Agreement" to our consolidated financial statements under "Item 1. Interim Consolidated Financial Statements"). As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.
- (f) For the three and nine months ended September 30, 2022, this adjustment eliminates \$2.8 million of one-time employee incentives, in each period, and professional service fees and expenses of \$0.2 million and \$1.0 million, respectively, incurred in connection with certain strategic evaluations, both of which were offset in part by a \$0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the three and nine months ended September 30, 2021, this adjustment eliminates professional service fees and expenses of \$0.2 million and \$3.4 million, respectively, incurred in connection with the regulatory requests, both of which were offset in part by a \$0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the third quarter. As these adjustments meaningfully impacted our operating results and are not expected to represent ongoing operating expenses to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.
- (g) For the three and nine months ended September 30, 2022, this adjustment eliminates the income tax effect on non-GAAP adjustments of \$2.3 million and \$7.5 million, respectively, which mainly related to our Korean subsidiary using a calculation method that we compare the tax expense with and without the non-GAAP adjustments.

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

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

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

Because of these limitations, Adjusted Net Income should not be considered as a measure of profitability of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted Net Income 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 standard products business. We outsource manufacturing of mobile OLED products to external 12-inch foundries. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales 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 nine months ended September 30, 2022 and 2021, we sold products to 169 and 175 customers, respectively, and our net sales to our ten largest customers represented 70% and 81% of our net sales—standard products business, respectively.

We will provide the Transitional Fab 3 Foundry Services up to September 1, 2023 at an agreed upon cost plus a mark-up.

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 September 30, 2022, approximately 97% 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 5 to 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 values of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

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

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 display business are material and design-related costs for OLED display driver IC product development involving 28-nanometer or finer processes. The majority of research and development expenses of our power business are certain equipment, material and design-related costs for power discrete products and material and design-related costs for power IC products. Power IC uses standard BCD process technologies which can be sourced from multiple foundries.

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 our Korean subsidiary, which is denominated in U.S. dollars. As of September 30, 2022, the outstanding intercompany loan balance including accrued interest between our Korean subsidiary and our Dutch subsidiary was \$356.7 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 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. See “Note 7. Derivative Financial Instruments” to our consolidated financial statements under “Item 1. Interim Consolidated Financial Statements” for additional information regarding our foreign exchange hedging activities.

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 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 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.

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Results of Operations – Comparison of Three Months Ended September 30, 2022 and 2021

The following table sets forth consolidated results of operations for the three months ended September 30, 2022 and 2021:

| | Three Months Ended September 30, 2022 | | Three Months Ended September 30, 2021 | | Change Amount |
|---|--|------------------------|--|------------------------|------------------|
| | Amount | % of Total revenues | Amount | % of Total revenues | |
| (Dollars in millions) | | | | | |
| Revenues | | | | | |
| Net sales – standard products business | \$ 62.8 | 88.2% | \$ 117.4 | 92.5% | \$ (54.6) |
| Net sales – transitional Fab 3 foundry services | 8.4 | 11.8 | 9.6 | 7.5 | (1.2) |
| Total revenues | 71.2 | 100.0 | 127.0 | 100.0 | (55.8) |
| Cost of sales | | | | | |
| Cost of sales – standard products business | 45.5 | 63.9 | 71.6 | 56.4 | (26.1) |
| Cost of sales – transitional Fab 3 foundry services | 8.5 | 11.9 | 8.8 | 6.9 | (0.3) |
| Total cost of sales | 54.0 | 75.8 | 80.4 | 63.3 | (26.4) |
| Gross profit | 17.2 | 24.2 | 46.6 | 36.7 | (29.4) |
| Selling, general and administrative expenses | 11.4 | 16.0 | 12.6 | 9.9 | (1.1) |
| Research and development expenses | 13.3 | 18.7 | 12.3 | 9.7 | 1.1 |
| Merger-related costs | — | — | 1.6 | 1.2 | (1.6) |
| Other charges, net | 2.5 | 3.5 | 0.2 | 0.2 | 2.3 |
| Operating income (loss) | (10.0) | (14.1) | 20.0 | 15.7 | (30.0) |
| Interest expense | (0.3) | (0.4) | (0.1) | (0.1) | (0.2) |
| Foreign currency loss, net | (12.8) | (18.0) | (7.6) | (6.0) | (5.2) |
| Others, net | 2.0 | 2.8 | 1.6 | 1.3 | 0.4 |
| | (11.1) | (15.6) | (6.1) | (4.8) | (5.0) |
| Income (loss) before income tax expense | (21.1) | (29.7) | 13.9 | 11.0 | (35.1) |
| Income tax expense (benefit) | (3.9) | (5.5) | 3.1 | 2.5 | (7.1) |
| Net income (loss) | <u>\$ (17.2)</u> | <u>(24.2)</u> | <u>\$ 10.8</u> | <u>8.5</u> | <u>\$ (28.0)</u> |

| | Three Months Ended September 30, 2022 | | Three Months Ended September 30, 2021 | | Change Amount |
|---|--|------------------------|--|------------------------|------------------|
| | Amount | % of Total revenues | Amount | % of Total revenues | |
| (Dollars in millions) | | | | | |
| Revenues | | | | | |
| Net sales – standard products business | | | | | |
| Display Solutions | \$ 6.4 | 8.9% | \$ 58.5 | 46.1% | \$ (52.2) |
| Power Solutions | 56.4 | 79.2 | 58.9 | 46.4 | (2.5) |
| Total standard products business | 62.8 | 88.2 | 117.4 | 92.5 | (54.6) |
| Net sales – transitional Fab 3 foundry services | 8.4 | 11.8 | 9.6 | 7.5 | (1.2) |
| Total revenues | <u>\$ 71.2</u> | <u>100.0%</u> | <u>\$ 127.0</u> | <u>100.0%</u> | <u>\$ (55.8)</u> |

| | Three Months Ended September 30, 2022 | | Three Months Ended September 30, 2021 | | Change Amount |
|--|--|-------------------|--|-------------------|------------------|
| | Amount | % of Net sales | Amount | % of Net sales | |
| (Dollars in millions) | | | | | |
| Gross Profit | | | | | |
| Gross profit – standard products business | \$ 17.3 | 27.5% | \$ 45.8 | 39.0% | \$ (28.5) |
| Gross profit – transitional Fab 3 foundry services | (0.0) | (0.6) | 0.8 | 8.5 | (0.9) |
| Total gross profit | <u>\$ 17.2</u> | <u>24.2%</u> | <u>\$ 46.6</u> | <u>36.7%</u> | <u>\$ (29.4)</u> |

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Revenues

Total revenues were \$71.2 million for the three months ended September 30, 2022, a \$55.8 million, or 43.9%, decrease compared to \$127.0 million for the three months ended September 30, 2021. This decrease was primarily due to a decrease in revenue related to our standard products business as described below.

The standard products business. Net sales from our standard products business were \$62.8 million for the three months ended September 30, 2022, a \$54.6 million, or 46.5%, decrease compared to \$117.4 million for the three months ended September 30, 2021. The significant decrease in net sales from our Display Solutions business line was primarily attributable to a decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for our auto-LCD display driver ICs and OLED TV display driver ICs. The decrease in net sales from our Power Solutions business line was attributable to a lower demand for MOSFETs primarily for smartphone and e-bikes, which was affected by COVID-19 lockdowns in China. This decrease was almost offset by a strong demand for IGBTs mainly for solar inverters.

The transitional Fab 3 foundry services. Net sales from the transitional Fab 3 foundry services were \$8.4 million and \$9.6 million for the three months ended September 30, 2022 and 2021, respectively.

Gross Profit

Total gross profit was \$17.2 million for the three months ended September 30, 2022 compared to \$46.6 million for the three months ended September 30, 2021, a \$29.4 million, or 63.0%, decrease. Gross profit as a percentage of net sales for the three months ended September 30, 2022 decreased to 24.2% compared to 36.7% for the three months ended September 30, 2021. The decrease in both gross profit and gross profit as a percentage of net sales was primarily due to our standard products business as further described below.

The standard products business. Gross profit from our standard products business was \$17.3 million for the three months ended September 30, 2022, which represented a \$28.5 million, or 62.3%, decrease from gross profit of \$45.8 million for the three months ended September 30, 2021. The decrease in gross profit was primarily attributable to a significant decrease in net sales from our Display Solutions business line as explained above. Gross profit as a percentage of net sales for the three months ended September 30, 2022 decreased to 27.5% compared to 39.0% for the three months ended September 30, 2021. The decrease in gross profit as a percentage of net sales was primarily attributable to certain inventory reserve and scrap cost related to 12-inch display products resulted from lower demand for China smartphones and a lower utilization rate of our internal fabrication facility. For the three months ended September 30, 2021, a partial sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, favorably affected both gross profit and gross profit as a percentage of net sales, as such reserved inventory was subsequently sold to certain other customers in the third quarter of 2021.

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Net Sales – Standard Products Business by Geographic Region

We report net sales – standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the three months ended September 30, 2022 and 2021:

| | <u>Three Months Ended</u> <u>September 30, 2022</u> | | <u>Three Months Ended</u> <u>September 30, 2021</u> | | <u>Change</u> <u>Amount</u> |
|---------------------------------|--|--|--|--|--------------------------------|
| | <u>Amount</u> | <u>% of</u> <u>Net sales –</u> <u>standard</u> <u>products</u> <u>business</u> | <u>Amount</u> | <u>% of</u> <u>Net sales –</u> <u>standard</u> <u>products</u> <u>business</u> | |
| | (Dollars in millions) | | | | |
| Korea | \$ 23.9 | 38.0% | \$ 29.7 | 25.3% | \$ (5.8) |
| Asia Pacific (other than Korea) | 34.6 | 55.1 | 84.2 | 71.7 | (49.6) |
| United States | 2.7 | 4.3 | 1.8 | 1.5 | 1.0 |
| Europe | 1.6 | 2.5 | 1.4 | 1.2 | 0.2 |
| Others | — | — | 0.4 | 0.3 | (0.4) |
| | <u>\$ 62.8</u> | <u>100.0%</u> | <u>\$ 117.4</u> | <u>100.0%</u> | <u>\$ (54.6)</u> |

Net sales – standard products business in Korea for the three months ended September 30, 2022 decreased from \$29.7 million to \$23.9 million compared to the three months ended September 30, 2021, or by \$5.8 million, or 19.5%, primarily due to a decrease in revenue from our mobile OLED display driver ICs and weaker demand for power products such as MOSFETs, including high-end MOSFETs, primarily for TVs and smartphone applications, which was offset in part by higher demand for OLED TV display driver ICs.

Net sales – standard products business in Asia Pacific (other than Korea) for the three months ended September 30, 2022 decreased to \$34.6 million from \$84.2 million in the three months ended September 30, 2021, or by \$49.6 million, or 58.9%, primarily due to a decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for power products such as IGBTs mainly for solar inverters. The increased demand for our auto-LCD display driver ICs also favorably affected in this quarter.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$11.4 million, or 16.0% of total revenues, for the three months ended September 30, 2022, compared to \$12.6 million, or 9.9% of total revenues, for the three months ended September 30, 2021. The decrease of \$1.1 million, or 9.1%, was primarily attributable to a decrease in estimated employee compensation reflecting the current year’s financial performance.

Research and Development Expenses. Research and development expenses were \$13.3 million, or 18.7% of total revenues, for the three months ended September 30, 2022, compared to \$12.3 million, or 9.7% of total revenues, for the three months ended September 30, 2021. The increase of \$1.1 million, or 8.6%, was primarily attributable to increase in outside service fees, including those for software design tools, and variable overhead expenses.

Merger-related Costs. For the three months ended September 30, 2021, we recorded \$1.6 million of professional service fees and expenses incurred in connection with the contemplated Merger transaction.

Other Charges, Net. For the three months ended September 30, 2022, we recorded \$2.8 million of one-time employee incentives and \$0.2 million of professional service fees and expenses incurred in connection with certain strategic evaluations, which was offset in part by a \$0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the three months ended September 30, 2021, we recorded \$0.2 million of non-recurring professional service fees and expenses incurred in connection with the regulatory requests.

Operating Income (Loss)

As a result of the foregoing, operating loss was \$10.0 million for the three months ended September 30, 2022 compared to operating income of \$20.0 million the three months ended September 30, 2021. As discussed above, the decrease in operating income of \$30.0 million resulted primarily from a \$29.4 million decrease in gross profit, a \$2.3 million increase in other charge, net, and a \$1.1 million increase in research and development expenses. This increase was offset in part by a \$1.6 million decrease in Merger-related costs and a \$1.1 million decrease in selling, general and administrative expenses.

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Other Income (Expense)

Interest Expense. Interest expenses was \$0.3 million and \$0.1 million for the three months ended September 30, 2022 and September 30, 2021, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the three months ended September 30, 2022 was \$12.8 million compared to net foreign currency loss of \$7.6 million for the three months ended September 30, 2021. The net foreign currency loss for the three months ended September 30, 2022 and September 30, 2021 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 our Korean subsidiary, 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 September 30, 2022 and September 30, 2021, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary and our Dutch subsidiary, were \$357 million and \$393 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income 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.

Others, Net. Others were primarily comprised of interest income, rental income, and gains and losses from valuation of derivatives which were designated as hedging instruments. Others for the three months ended September 30, 2022 and September 30, 2021 was \$2.0 million and \$1.6 million, respectively. In the third quarter of 2021, others, net included a \$0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the current quarter.

Income Tax Expense (Benefit)

Income tax benefit was \$3.9 million for the three months ended September 30, 2022, which was primarily attributable to the decrease in the pre-tax income due to foreign currency translation losses associated with intercompany long-term loans in our Korean subsidiary for the respective period.

Income tax expense was \$3.1 million for the three months ended September 30, 2021, which was primarily attributable to interest on intercompany loan balances and the estimated taxable income for the respective period in our Korean subsidiary, combined with its ability to utilize net operating loss carryforwards up to 60%.

Net Income (Loss)

As a result of the foregoing, a net loss of \$17.2 million was recorded for the three months ended September 30, 2022 compared to a net income of \$10.8 million for the three months ended September 30, 2021. As discussed above, the \$28.0 million decrease in net income was primarily attributable to a \$30.0 million decrease in operating income and \$5.2 million increase in net foreign currency loss, which was offset in part by a \$7.1 million decrease in income tax expense.

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Results of Operations – Comparison of Nine Months Ended September 30, 2022 and 2021

The following table sets forth consolidated results of operations for the nine months ended September 30, 2022 and 2021:

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | Change Amount |
|---|---|------------------------|---|------------------------|------------------|
| | Amount | % of Total revenues | Amount | % of Total revenues | |
| (Dollars in millions) | | | | | |
| Revenues | | | | | |
| Net sales – standard products business | \$ 248.1 | 89.7% | \$ 333.6 | 91.7% | \$ (85.5) |
| Net sales – transitional Fab 3 foundry services | 28.6 | 10.3 | 30.3 | 8.3 | (1.7) |
| Total revenues | 276.7 | 100.0 | 363.9 | 100.0 | (87.2) |
| Cost of sales | | | | | |
| Cost of sales – standard products business | 165.2 | 59.7 | 221.3 | 60.8 | (56.1) |
| Cost of sales – transitional Fab 3 foundry services | 26.3 | 9.5 | 27.7 | 7.6 | (1.4) |
| Total cost of sales | 191.5 | 69.2 | 249.0 | 68.4 | (57.5) |
| Gross profit | 85.2 | 30.8 | 114.9 | 31.6 | (29.8) |
| Selling, general and administrative expenses | 38.3 | 13.8 | 39.2 | 10.8 | (0.9) |
| Research and development expenses | 38.7 | 14.0 | 39.0 | 10.7 | (0.3) |
| Merger-related costs | — | — | 13.8 | 3.8 | (13.8) |
| Other charges, net | 3.3 | 1.2 | 3.4 | 0.9 | (0.1) |
| Operating income | 4.9 | 1.8 | 19.5 | 5.4 | (14.7) |
| Interest expense | (0.9) | (0.3) | (1.2) | (0.3) | 0.4 |
| Foreign currency loss, net | (20.5) | (7.4) | (12.0) | (3.3) | (8.5) |
| Others, net | 4.2 | 1.5 | 2.8 | 0.8 | 1.3 |
| | (17.2) | (6.2) | (10.4) | (2.9) | (6.8) |
| Income (loss) before income tax expense | (12.4) | 4.5 | 9.1 | 2.5 | (21.5) |
| Income tax expense (benefit) | (1.4) | (0.5) | 6.0 | 1.7 | (7.4) |
| Net income (loss) | \$ (11.0) | (4.0) | \$ 3.1 | 0.9 | \$ (14.1) |

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | Change Amount |
|---|---|------------------------|---|------------------------|------------------|
| | Amount | % of Total revenues | Amount | % of Total revenues | |
| (Dollars in millions) | | | | | |
| Revenues | | | | | |
| Net sales – standard products business | | | | | |
| Display Solutions | \$ 63.9 | 23.1% | \$ 164.0 | 45.1% | \$ (100.1) |
| Power Solutions | 184.2 | 66.6 | 169.6 | 46.6 | 14.6 |
| Total standard products business | 248.1 | 89.7 | 333.6 | 91.7 | (85.5) |
| Net sales – transitional Fab 3 foundry services | 28.6 | 10.3 | 30.3 | 8.3 | (1.7) |
| Total revenues | \$ 276.7 | 100.0% | \$ 363.9 | 100.0% | \$ (87.2) |

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | Change Amount |
|--|---|-------------------|---|-------------------|------------------|
| | Amount | % of Net sales | Amount | % of Net sales | |
| (Dollars in millions) | | | | | |
| Gross Profit | | | | | |
| Gross profit – standard products business | \$ 82.9 | 33.4% | \$ 112.3 | 33.7% | \$ (29.4) |
| Gross profit – transitional Fab 3 foundry services | 2.3 | 8.0 | 2.6 | 8.7 | (0.4) |
| Total gross profit | \$ 85.2 | 30.8% | \$ 114.9 | 31.6% | \$ (29.8) |

Revenues

Total revenues were \$276.7 million for the nine months ended September 30, 2022, a \$87.2 million, or 24.0%, decrease compared to \$363.9 million for the nine months ended September 30, 2021. This decrease was primarily due to a decrease in revenue related to our standard products business as described below.

The standard products business. Net sales from our standard products business were \$248.1 million for the nine months ended September 30, 2022, an \$85.5 million, or 25.6%, decrease compared to \$333.6 million for the nine months ended September 30, 2021. The significant decrease in net sales from our Display Solutions business line was primarily attributable to a decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for our OLED TV display driver ICs and auto-LCD display driver ICs. The increase in net sales from our Power Solutions business line was attributable to a strong demand for power products such as MOSFETs, including high-end MOSFETs, primarily for TVs and e-bikes, and IGBTs mainly for solar inverters.

The transitional Fab 3 foundry services. Net sales from the transitional Fab 3 foundry services were \$28.6 million and \$30.3 million for the nine months ended September 30, 2022 and 2021, respectively.

Gross Profit

Total gross profit was \$85.2 million for the nine months ended September 30, 2022 compared to \$114.9 million for the nine months ended September 30, 2021, a \$29.8 million, or 25.9%, decrease. Gross profit as a percentage of net sales for the nine months ended September 30, 2022 decreased to 30.8% compared to 31.6% for the nine months ended September 30, 2021. The decrease in both gross profit and gross profit as a percentage of net sales was primarily due to our standard products business as further described below.

The standard products business. Gross profit from our standard products business was \$82.9 million for the nine months ended September 30, 2022, which represented a \$29.4 million, or 26.2%, decrease from gross profit of \$112.3 million for the nine months ended September 30, 2021. The decrease in gross profit was primarily attributable to a significant decrease in net sales from our Display Solutions business line as explained above. Gross profit as a percentage of net sales for the nine months ended September 30, 2022 decreased slightly to 33.4% compared to 33.7% for the nine months ended September 30, 2021. The decrease in gross profit as a percentage of net sales was primarily attributable to certain inventory reserve and scrap cost related to 12-inch display products resulted from lower demand for China smartphones, which was offset in part by an improved product mix and an increase in average selling price benefited from the favorable pricing environment, primarily for our Power Solutions business line.

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Net Sales – Standard Products Business by Geographic Region

We report net sales – standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the nine months ended September 30, 2022 and 2021:

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | Change Amount |
|---------------------------------|---|---|---|---|------------------|
| | Amount | % of Net sales – standard products business | Amount | % of Net sales – standard products business | |
| (Dollars in millions) | | | | | |
| Korea | \$ 86.1 | 34.7% | \$ 87.0 | 26.1% | \$ (0.9) |
| Asia Pacific (other than Korea) | 148.9 | 60.0 | 237.3 | 71.1 | (88.4) |
| United States | 8.1 | 3.3 | 4.4 | 1.3 | 3.7 |
| Europe | 5.0 | 2.0 | 3.8 | 1.2 | 1.1 |
| Others | — | — | 1.1 | 0.3 | (1.1) |
| | <u>\$248.1</u> | <u>100.0%</u> | <u>\$333.6</u> | <u>100.0%</u> | <u>\$ (85.5)</u> |

Net sales – standard products business in Korea for the nine months ended September 30, 2022 decreased from \$87.0 million to \$86.1 million compared to the nine months ended September 30, 2021, or by \$0.9 million, or 1.0%, primarily due to weaker demand for power products such as high-end MOSFETs primarily for TVs and decrease in revenue from our mobile OLED display driver ICs, which was offset in part by an increase in revenue from OLED TV display driver ICs.

Net sales – standard products business in Asia Pacific (other than Korea) for the nine months ended September 30, 2022 decreased to \$148.9 million from \$237.3 million in the nine months ended September 30, 2021, or by \$88.4 million, or 37.2%, primarily due to a significant decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for power products such as MOSFETs, including high-end MOSFETs, primarily for TVs and e-bike, and IGBTs mainly for solar inverters. The increased demand for our auto-LCD display driver ICs also favorably affected in this year.

Net sales – standard products business in the United States for the nine months ended September 30, 2022 increased to \$8.1 million from \$4.4 million compared to the nine months ended September 30, 2021, or by \$3.7 million, or 83.8%, primarily due to a change in billing location of a global customer who offers lighting solutions combined with the increase of high-end MOSFET design wins with the customer.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$38.3 million, or 13.8% of total revenues, for the nine months ended September 30, 2022, compared to \$39.2 million, or 10.8% of total revenues, for the nine months ended September 30, 2021. The decrease of \$0.9 million, or 2.2%, was primarily attributable to a decrease in running royalties recognized based on the revenue of certain mobile OLED display driver ICs.

Research and Development Expenses. Research and development expenses were \$38.7 million, or 14.0% of total revenues, for the nine months ended September 30, 2022, which remained almost flat, compared to \$39.0 million, or 10.7% of total revenues, for the nine months ended September 30, 2021.

Merger-related Costs. For the nine months ended September 30, 2021, we recorded \$13.8 million of professional service fees and expenses incurred in connection with the contemplated Merger transaction.

Other Charges, Net. For the nine months ended September 30, 2022, we recorded \$2.8 million of one-time employee incentives and \$1.0 million of professional service fees and expenses incurred in connection with certain strategic evaluations, which was offset in part by a \$0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the nine months ended September 30, 2021, we recorded \$3.4 million of non-recurring professional service fees and expenses incurred in connection with the regulatory requests.

Operating Income

As a result of the foregoing, operating income was \$4.9 million for the nine months ended September 30, 2022 compared to operating income of \$19.5 million the nine months ended September 30, 2021. As discussed above, the decrease in operating income of \$14.7 million resulted primarily from a \$29.8 million decrease in gross profit, which was offset in part by a \$13.8 million decrease in Merger-related costs, a \$0.9 million decrease in selling, general and administrative expenses and a \$0.3 million decrease in research and development expenses.

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Other Income (Expense)

Interest Expense. Interest expenses was \$0.9 million and \$1.2 million for the nine months ended September 30, 2022 and September 30, 2021, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the nine months ended September 30, 2022 was \$20.5 million compared to net foreign currency loss of \$12.0 million for the nine months ended September 30, 2021. The net foreign currency loss for the nine months ended September 30, 2022 and September 30, 2021 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 our Korean subsidiary, 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 September 30, 2022 and September 30, 2021, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary and our Dutch subsidiary, were \$357 million and \$393 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income 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.

Others, Net. Others were primarily comprised of interest income, rental income and gains and losses from valuation of derivatives which were designated as hedging instruments. Others for the nine months ended September 30, 2022 and September 30, 2021 was \$4.2 million and \$2.8 million, respectively. In the third quarter of 2021, others, net included a \$0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the current quarter

Income Tax Expense (Benefit)

Income tax benefit was \$1.4 million for the nine months ended September 30, 2022, which was primarily attributable to the decrease in the pre-tax income due to foreign currency translation losses associated with intercompany long-term loans in our Korean subsidiary for the respective period.

Income tax expense was \$6.0 million for the nine months ended September 30, 2021, which was primarily attributable to interest on intercompany loan balances and the estimated taxable income for the respective period in our Korean subsidiary, combined with its ability to utilize net operating loss carryforwards up to 60%.

Net Income (Loss)

As a result of the foregoing, a net loss of \$11.0 million was recorded for the nine months ended September 30, 2022 compared to a net income of \$3.1 million for the nine months ended September 30, 2021. As discussed above, the \$14.1 million decrease in net income was primarily attributable to a \$14.7 million decrease in operating income and an \$8.5 million increase in net foreign currency loss, which was offset in part by a \$7.4 million decrease in income tax expense.

Liquidity and Capital Resources

Our principal capital requirements are to fund sales and marketing, invest in research and development and capital equipment, 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 September 30, 2022, we did not have any accounts payable on extended terms or payment deferral with our vendors.

As of June 29, 2018, our Korean subsidiary 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 September 30, 2022, the outstanding obligation of this arrangement is approximately \$22.7 million for remaining service term through 2028.

As of September 30, 2022, cash and cash equivalents held by our Korean subsidiary were \$241.3 million, which represents 96% 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 September 30, 2022 was \$304.7 million compared to \$323.6 million as of December 31, 2021. The \$19.0 million decrease was primarily attributable to a \$28.7 million decrease in cash and cash equivalents and a \$17.6 million decrease in other receivable mainly resulted from receipt of reverse termination fee, which was offset in part by a \$11.0 million decrease in account payables, a \$12.3 million net increase in hedge collateral and a \$7.8 million increase in advance payments to certain suppliers, including external foundries to meet our planned production.

Cash Flows from Operating Activities

Cash inflow provided by operating activities totaled \$50.2 million for the nine months ended September 30, 2022, compared to \$30.0 million of cash inflow provided by operating activities for the nine months ended September 30, 2021. The net operating cash inflow for the nine months ended September 30, 2022 reflects our net loss of \$11.0 million, as adjusted favorably by \$95.6 million, which mainly consisted of depreciation and amortization, provision for severance benefits, stock-based compensation and net foreign currency loss, and net unfavorable impact of \$34.3 million from changes of operating assets and liabilities.

Cash Flows from Investing Activities

Cash outflow used in investing activities totaled \$25.9 million for the nine months ended September 30, 2022, compared to \$14.4 million of cash outflow used in investing activities for the nine months ended September 30, 2021. The \$11.4 million increase in cash outflow was primarily attributable to a \$13.7 million net increase in hedge collateral, which was offset in part by a \$1.6 million decrease in purchase of property, plant and equipment.

Cash Flows from Financing Activities

Cash outflow used in financing activities totaled \$3.7 million for the nine months ended September 30, 2022, compared to \$1.8 million of cash inflow provided by financing activities for the nine months ended September 30, 2021. The financing cash outflow for the nine months ended September 30, 2022 was primarily attributable to a payment of \$3.2 million for the repurchases of our common stock in September 2022 pursuant to our stock repurchase program and a payment of \$1.8 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units, which was offset in part by \$1.8 million of proceeds received from the issuance of common stock in connection with the exercise of stock options. The financing cash inflow for the nine months ended September 30, 2021 was primarily attributable to \$3.9 million of proceeds received from the issuance of common stock in connection with the exercise of stock options, which was offset in part by a payment of \$1.7 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

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 nine months ended September 30, 2022, capital expenditures for property, plant and equipment were \$11.8 million, a \$1.6 million, or 11.6%, decrease from \$13.4 million for the nine months ended September 30, 2021. The capital expenditures for the nine months ended September 30, 2022 and 2021 were related to meeting our customer demand and supporting technology and capacity improvement at our fabrication facility.

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, 2021, or our 2021 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 2021 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 2021 Form 10-K.

Recent Accounting Pronouncements

For a full description of new accounting pronouncements and recently adopted accounting pronouncements, please see “Item 1. Interim Consolidated Financial Statements—Notes to Consolidated Financial Statements—Note 1. Business, Basis of Presentation and Significant Accounting Policies” in this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the market risk that the value of a financial instrument will fluctuate due to changes in market conditions, primarily from changes in foreign currency exchange rates. In the normal course of our business, we are subject to market risks associated with currency movements on our assets and liabilities.

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at September 30, 2022 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of \$1.2 million in our U.S. dollar financial instruments and cash balances.

See “Note 7. Derivative Financial Instruments” to our consolidated financial statements under “Item 1. Interim Consolidated Financial Statements” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Impact of Foreign Currency Exchange Rates on Reported Results of Operations” for additional information regarding our foreign exchange hedging activities.

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 September 30, 2022, 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 September 30, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

For a discussion of legal proceedings, see “Part I: Item 3. Legal Proceedings” of our 2021 Form 10-K.

See also “Item 1A. Risk Factors” in this Report and “Part I: Item 1A. Risk Factors” of our 2021 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 2021 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 2021 Form 10-K and Part II, Item 1A of our most recent Quarterly Report on Form 10-Q.

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 September 30, 2022.

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</u> | <u>Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands)(1)</u> |
|----------------|---|-------------------------------------|--|---|
| July 2022 | — | — | — | — |
| August 2022 | — | — | — | — |
| September 2022 | 324,643 | \$ 11.21 | 324,643 | \$ 46,362 |
| Total | <u>324,643</u> | | <u>324,643</u> | <u>\$ 46,362</u> |

- (1) On August 31, 2022, the Company’s Board of Directors authorized an expansion of the Company’s previously announced stock repurchase program from \$75 million to \$87.5 million of the Company’s common stock. The Company has already repurchased shares worth \$37.5 million under the program through an accelerated stock repurchase agreement on December 21, 2021 with JPMorgan Chase Bank, National Association. The remaining \$50.0 million of the expanded \$87.5 million program will be repurchased in the open market or through privately negotiated transactions. In connection with the repurchase program, the Company has established a stock trading plan with Oppenheimer & Co. Inc. in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits.

| Exhibit Number | Description |
|-----------------------|---|
| 10.1‡# | Form of Restricted Stock Units Agreement (Non-employee Directors) |
| 10.2‡# | Form of Restricted Stock Units Agreement (CEO and other Section 16 Officers) |
| 10.3‡# | Form of Restricted Stock Units Agreement—Financial Performance (CEO) |
| 10.4‡# | Form of Restricted Stock Units Agreement—Financial Performance (Non-CEO Section 16 Officers) |
| 10.5‡# | Form of Restricted Stock Units Agreement—TSR Performance (CEO) |
| 10.6‡# | Form of Restricted Stock Units Agreement—TSR Performance (Non-CEO Section 16 Officers) |
| 10.7# | Second Amendment to Termination and Settlement Agreement, dated as of August 5, 2022, by and between Magnachip Semiconductor Corporation, South Dearborn Limited and Wise Road Capital LTD. |
| 10.8#+ | Patent Cross-License Agreement, with an effective date as of June 15, 2017, by and between Infineon Technologies AG and Magnachip Semiconductor, Ltd. |
| 10.9#+ | First Amendment to the Patent Cross-License Agreement, with an effective date as of January 1, 2022, by and between Infineon Technologies AG and Magnachip Semiconductor, Ltd. |
| 31.1# | Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer. |
| 31.2# | Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer. |
| 32.1† | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer. |
| 32.2† | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer. |
| 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

‡ Management contract or compensatory plan or arrangement

+ Certain identified information in such exhibit has been omitted pursuant to Item 601(b)(10) of Regulation S-K because such information is both (i) not material and (ii) information that the registrant treats as private or confidential. The registrant hereby undertakes to furnish supplemental copies of the unredacted exhibit upon request by the SEC.

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: November 8, 2022

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

Dated: November 8, 2022

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

**MAGNACHIP SEMICONDUCTOR CORPORATION
RESTRICTED STOCK UNITS AGREEMENT**

Magnachip Semiconductor Corporation (the “**Company**”) has granted to the Participant named in the Notice of Grant of Restricted Stock Units (the “**Grant Notice**”) to which this Restricted Stock Units Agreement is attached an Award consisting of Restricted Stock Units subject to the terms and conditions set forth in the Grant Notice and this Restricted Stock Units Agreement, including any additional terms and conditions for the Participant’s country set forth in the appendix attached hereto (the “**Appendix**” and, together with the Restricted Stock Units Agreement, the “**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 3.3.

(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 9.

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. 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 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 the Officer has actual authority with respect to such matter, right, obligation, or election.

3. THE AWARD.

3.1 Grant of Units. On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Restricted Stock Units set forth in the Grant Notice, subject to adjustment as provided in Section 3.3 and Section 9. 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.

3.2 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.

3.3 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 Restricted Stock 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 4 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 Restricted Stock Units originally subject to the Award with respect to which they have been credited.

4. VESTING OF UNITS.

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

5. FORFEITURE OF UNITS.

Except to the extent expressly provided otherwise in an agreement between the Participant and the Company, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, insofar as permitted under Local Law the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units, and the Participant shall not be entitled to any payment therefor.

6. SETTLEMENT OF THE AWARD.

6.1 Issuance of Shares of Stock. Subject to the provisions of Section 6.3, Section 7 and Section 8, on or as soon as reasonably practicable following the date upon which the Participant's Service terminates for any reason (the "**Termination Date**"), but in no event later than the later of (i) the last day of the year in which the Termination Date occurs and (ii) the fifteenth day of the third calendar month following the Termination Date (such applicable date, the "**Settlement Date**"), the Company shall issue to the Participant with respect to each Unit that is a Vested Unit as of the Termination Date 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 6.3, Section 7 or the Company's Securities Trading Policy.

6.2 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.

6.3 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, 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.

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

7. TAX WITHHOLDING AND LIMITED CASH SETTLEMENT FOR FOREIGN TAX OBLIGATIONS.

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and non-U.S. tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

7.2 Assignment of Sale Proceeds. Subject to compliance with applicable law and the Company's Securities Trading Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 Withholding in Shares. The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

7.4 Limited Cash Settlement for Foreign Tax Obligations. Notwithstanding the issuance schedule set forth in Section 6.1, to the extent Participant is subject to non-U.S. tax obligations (including any social insurance obligations) as a result of the vesting of one or more Units subject to this Award, Participant shall receive a partial cash settlement of this Award in connection with the applicable vesting date(s). The partial cash settlement is intended to enable Participant to pay the tax liability due from Participant to the non-U.S. tax authority when the Award vests. Any partial cash settlement shall occur in accordance with the following:

(a) A number of Vested Units will be forfeited on the applicable vesting date in exchange for a lump sum cash payment from the Company to the Participant in an amount equal to the Fair Market Value of the forfeited Vested Units.

(b) The number of Vested Units to be forfeited will be such number of whole shares of Stock having a Fair Market Value as close to as possible, but in no event to exceed, the tax obligation required to be paid by the Participant to the applicable non-U.S. tax authority as result of the vesting of the Units.

(c) The Fair Market Value of the forfeited Vested Units will be determined pursuant to Section 2(u) of the Plan on the vesting date of the Units.

(d) The lump sum cash payment shall be paid by the Company to the Participant within seven business days from the applicable vesting date.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, all Units granted hereunder shall automatically become Vested Units and shall be settled, paid, continued or substituted, as determined by the Committee, in connection with such Change in Control in accordance with the terms of the Plan.

9. 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 3.3) 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.

10. 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 3.3 and Section 9. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

11. 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.

12. COMPLIANCE WITH SECTION 409A.

To the extent applicable, it is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply, to the extent applicable:

12.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 Other Delays in Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 Separate Payments. To the extent required to comply with the Section 409A Regulations, each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of the Section 409A Regulations.

12.4 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.5 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

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 provided in Section 8 in connection with a Change in Control, 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, including, but not limited to, Section 409A. 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 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, 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 Non-U.S. Terms and Conditions. Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the specific terms and conditions, if any, set forth in the Appendix to this Agreement which are applicable to the Participant's country of residence, 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 the laws in the Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy. The Participant is responsible for ensuring compliance with any applicable restrictions.

13.11 Foreign Asset / Account Reporting and Exchange Control Requirements. Certain foreign asset and/or 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 and/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 for any details.

13.12 Waiver. The Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other 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 clawback policy of the Company, including, without limitation, any 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 is 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/or in the Restricted Stock Units Agreement (the “*RSU Agreement*”).

TERMS AND CONDITIONS

This Appendix, includes additional terms and conditions that govern the Restricted Stock 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 considered as such 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 Restricted Stock Units, the Company shall, in its discretion, determine to what extent the additional terms and conditions contained herein shall be applicable 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 considered as such 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 Restricted Stock Units, the notifications contained herein may not be applicable to the Participant in the same manner.

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

KOREA

Terms and Conditions

There are no country-specific terms and conditions.

Notifications

If the Participant receives and owns the shares of the Company 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

The following paragraph is inserted as a new Section 13.15 to the RSU 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.

**MAGNACHIP SEMICONDUCTOR CORPORATION
RESTRICTED STOCK UNITS AGREEMENT**

Magnachip Semiconductor Corporation (the “**Company**”) has granted to the Participant named in the Notice of Grant of 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 9.

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 (the "**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, which remains in effect at the time such term requires application, with the Participating Company) and prior to full settlement of the Award, the Participant will remain eligible to vest with respect to a pro rata portion of the next tranche of the Units scheduled to vest pursuant to the Grant Notice applicable to such Award. The pro rata portion will be determined by multiplying the number of shares underlying such tranche of the Award by a fraction, (x) the numerator of which is the number of full months (without any rounding) from the Prior Vesting Date (as defined below) to the date of such termination and (y) the denominator of which is the number of full months from the Prior Vesting Date to the next vesting date. All Awards in excess of the pro rata portion thereof that remains outstanding in accordance with the immediately preceding sentence shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto. "**Prior Vesting Date**" means (1) the vesting date immediately preceding the date of such termination or (2) if no such vesting date exists, then the date that is 364 days prior to the next vesting date.

(c) If the Participant incurs a CIC Qualified Termination, all unvested Units will fully vest on the date of such termination.

(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 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 9. 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 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 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 vest (such date, the "**Settlement Date**") (but in no event later than March 15th 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. 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.

10. 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 9. 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.

11. 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.

12. MISCELLANEOUS PROVISIONS.

12.1 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 or in connection with a Change in Control, 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.

12.2 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.

12.3 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.

12.4 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.

12.5 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 12.5(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 12.5(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 12.5(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 12.5(a).

12.6 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.

12.7 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.

12.8 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.

12.9 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.

12.10 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.

12.11 **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.

12.12 **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.

12.13 **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.

12.14 **Clawback.** The Award will be subject to recoupment in accordance with the Company's Clawback 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 12.15 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.

**MAGNACHIP SEMICONDUCTOR CORPORATION
PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT**

Magnachip Semiconductor Corporation (the “**Company**”) has granted to the Participant named in the Notice of Grant of Performance-Based Restricted Stock Units (the “**Grant Notice**”) to which this Performance-Based 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 (the "**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) in a pro rata portion (which may be the entirety) of the Certified Restricted Stock Units or the Certified Make-Whole Units (each as defined below). "**Certified Restricted Stock Units**" means the Restricted Stock Units eligible to vest, as determined on the Certification Date following the end of the Performance Period based on actual Company performance. "**Certified Make-Whole Units**" means the Make-Whole Units (as defined in the Grant Notice) eligible to vest, as determined on the Certification Date following the end of the Performance Period based on actual Company performance. For purposes of this Section 2.2(b), the pro rata portion (which may be the entirety) of the Certified Restricted Stock Units or the Certified Make-Whole Units, as the case may be, shall be determined as set forth in the below table:

| | | |
|--------|--|---|
| Case 1 | Termination of Service occurs during the Performance Period | <p>The product calculated by multiplying (a) the total number of Certified Restricted Stock Units by (b) a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the Performance Period and (y) the denominator of which is 12, multiplied by one-third (1/3).</p> <p><i>For Make-Whole Units:</i> The product calculated by multiplying (a) the total number of Certified Make-Whole Units by (b) a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the Performance Period and (y) the denominator of which is 12.</p> |
| Case 2 | Termination of Service occurs after the Performance Period but before the Certification Date | <p>The sum calculated by adding (a) the product of the total number of Certified Restricted Stock Units multiplied by one-third (1/3) (such product, "One Year's RSUs") and (b) the product of One Year's RSUs multiplied by a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided after the Performance Period and (y) the denominator of which is 12.</p> <p><i>For Make-Whole Units:</i> The total number of Certified Make-Whole Units.</p> |

| | | |
|--------|--|--|
| Case 3 | Termination of Service occurs on or after the Certification Date | The product calculated by multiplying One Year's RSUs by a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the year in which the separation occurred and (y) the denominator of which is 12. |
|--------|--|--|

All Units in excess of the pro rata portion determined in accordance the above table shall immediately be forfeited and cancelled, 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 but 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 fully vest and become nonforfeitable at the target level of achievement (determined in accordance with the Grant Notice) immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated will be treated as the Settlement Date for purposes of Section 7 hereof.

If a Change in Control occurs upon or following such termination after 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 fully vest and become nonforfeitable based on actual Company performance immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated will be treated as the Settlement Date for purposes of Section 7 hereof.

(c) If the Participant incurs a CIC Qualified Termination, all Units that remain outstanding and unvested shall fully vest on the date of such termination at the target level of achievement (determined in accordance with the Grant Notice); provided, however, if such CIC Qualified Termination occurs after the end of the Performance Period, then the aforesaid Units shall vest based on actual Company performance.

(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 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 15th 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.**

In the event of a Change in Control, subject to the Participant's continued Service on the date that such Change in Control is consummated, the Units that remain outstanding and unvested shall fully vest at the target level of achievement; provided, however, if the Change in Control occurs after the end of the Performance Period, then the aforesaid Units shall vest based on actual Company performance. The date on which the Change in Control is consummated will be treated as the Settlement Date for purposes of Section 7 hereof. All Units in excess of the aforesaid vesting shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

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 Clawback 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
PERFORMANCE-BASED 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 PSU 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.

**MAGNACHIP SEMICONDUCTOR CORPORATION
PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT**

Magnachip Semiconductor Corporation (the “**Company**”) has granted to the Participant named in the Notice of Grant of Performance-Based Restricted Stock Units (the “**Grant Notice**”) to which this Performance-Based 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 (the "**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) in a pro rata portion (which may be the entirety) of the Certified Restricted Stock Units or the Certified Make-Whole Units (each as defined below). "**Certified Restricted Stock Units**" means the Restricted Stock Units eligible to vest, as determined on the Certification Date following the end of the Performance Period based on actual Company performance. "**Certified Make-Whole Units**" means the Make-Whole Units (as defined in the Grant Notice) eligible to vest, as determined on the Certification Date following the end of the Performance Period based on actual Company performance. For purposes of this Section 2.2(b), the pro rata portion (which may be the entirety) of the Certified Restricted Stock Units or the Certified Make-Whole Units, as the case may be, shall be determined as set forth in the below table:

| | | |
|--------|--|---|
| Case 1 | Termination of Service occurs during the Performance Period | <p>The product calculated by multiplying (a) the total number of Certified Restricted Stock Units by (b) a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the Performance Period and (y) the denominator of which is 12, multiplied by one-third (1/3).</p> <p><i>For Make-Whole Units:</i> The product calculated by multiplying (a) the total number of Certified Make-Whole Units by (b) a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the Performance Period and (y) the denominator of which is 12.</p> |
| Case 2 | Termination of Service occurs after the Performance Period but before the Certification Date | <p>The sum calculated by adding (a) the product of the total number of Certified Restricted Stock Units multiplied by one-third (1/3) (such product, "One Year's RSUs") and (b) the product of One Year's RSUs multiplied by a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided after the Performance Period and (y) the denominator of which is 12.</p> |

| | | |
|--------|--|--|
| Case 3 | Termination of Service occurs on or after the Certification Date | The product calculated by multiplying One Year's RSUs by a fraction, (x) the numerator of which is the number of full months (without any rounding) of continuous Service that the Participant provided during the year in which the separation occurred and (y) the denominator of which is 12. |
|--------|--|--|

All Units in excess of the pro rata portion determined in accordance the above table shall immediately be forfeited and cancelled, 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 but 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 fully vest and become nonforfeitable at the target level of achievement (determined in accordance with the Grant Notice) immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated will be treated as the Settlement Date for purposes of Section 7 hereof.

If a Change in Control occurs upon or following such termination after 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 fully vest and become nonforfeitable based on actual Company performance immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated will be treated as the Settlement Date for purposes of Section 7 hereof.

(c) If the Participant incurs a CIC Qualified Termination, all Units that remain outstanding and unvested (after application of the provisions of Section 9) shall fully vest on the date of such termination, and, in the event that the date of such CIC Qualified Termination occurs prior to the occurrence of any Change in Control, the Units that remain outstanding and unvested shall vest at the target level of achievement (determined in accordance with the Grant Notice); provided, however, if such CIC Qualified Termination occurs after the end of the Performance Period, then the aforesaid Units shall vest based on actual Company performance.

(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 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 15th 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 **Change in Control.** Upon the occurrence of a Change in Control during the Performance Period where a Replacement Award (as defined below) is provided to the Participant at the time of the Change in Control in lieu of the Units, the Units that remain outstanding and unvested as of immediately prior to the Change in Control shall remain outstanding and unvested, but the performance conditions with respect thereto shall be deemed satisfied at the target level of achievement. Upon the occurrence of a Change in Control where a Replacement Award is not provided to the Participant in lieu of the Units, the Units shall immediately vest at the target level of achievement; provided, however, if the Change in Control occurs after the end of the Performance Period, then the aforesaid Units shall vest based on actual Company performance. In either case, all Units in excess of the aforesaid vesting shall immediately be forfeited and cancelled, unless otherwise determined by the Committee, and Participant shall not be entitled to any compensation or other amount with respect thereto.

9.2 **Replacement Award.** A "Replacement Award" is an Award that (i) is the same (i.e., the Award continues) or is of the same type as the Award that is replaced or adjusted by a Replacement Award (the "**Replaced Award**") (i.e., restricted stock units); (ii) has a value at least equal to the value of the Replaced Award at the time of the Change in Control; (iii) is subject to the same vesting schedule as the Replaced Award; (iv) relates to equity securities of the Company or its successor upon the Change in Control, or a parent entity of the Company or its successor upon the Change in Control, which securities are subject to an effective registration statement under the Securities Act; (v) if the Participant is subject to U.S. federal income tax under the Code, the tax consequences to the Participant under the Code of the Replacement Award are not less favorable to the Participant than the tax consequences of the Replaced Award; and (vi) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including, but not limited to, the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the requirements for a Replacement Award are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its good faith discretion (taking into account the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) and compliance of the Replaced Award or Replacement Award with Section 409A).

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 Clawback 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
PERFORMANCE-BASED 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 PSU 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.

**MAGNACHIP SEMICONDUCTOR CORPORATION
RESTRICTED STOCK UNITS AGREEMENT
(TSR PERFORMANCE)**

Magnachip Semiconductor Corporation (the “**Company**”) has granted to the Participant named in the Notice of Grant of TSR 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 the full settlement of the Award, the Participant will remain eligible to vest (determined in accordance with the terms set forth in the Grant Notice) 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 and unvested immediately prior to such termination 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 full 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, 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 that remain outstanding and unvested immediately prior to the Change in Control (after application of the foregoing provisions of this Section 2.2(b)) shall vest and become nonforfeitable at the target level of achievement (determined in accordance with the Grant Notice) immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated shall be treated as the Settlement Date for purposes of Section 7 hereof.

(c) If the Participant incurs a CIC Qualified Termination, all Units that remain outstanding and unvested Units (if any) shall fully vest on the date of such termination at the target level of achievement (determined in accordance with the Grant Notice).

(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 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 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 15th 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.

In the event of a Change in Control during the Performance Period, subject to the Participant's continued Service on the date that such Change in Control is consummated, the Target Award (and any Dividend Equivalent Units associated therewith) shall vest and the date that the Change in Control is consummated shall be treated as the Settlement Date for purposes of Section 7 hereof. No Restricted Stock Units in excess of the Target Award shall vest pursuant to this Agreement and all Restricted Stock Units in excess of the Target Award shall immediately be forfeited and cancelled, and the Participant shall not be entitled to any compensation or other amount with respect thereto.

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 Clawback 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.

**MAGNACHIP SEMICONDUCTOR CORPORATION
RESTRICTED STOCK UNITS AGREEMENT
(TSR PERFORMANCE)**

Magnachip Semiconductor Corporation (the “*Company*”) has granted to the Participant named in the Notice of Grant of TSR 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 the full settlement of the Award, the Participant will remain eligible to vest (determined in accordance with the terms set forth in the Grant Notice) 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 and unvested immediately prior to such termination 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 full 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, 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 portion of the Units remaining outstanding and unvested immediately prior to the Change in Control (after application of the foregoing provisions of this Section 2.2(b)) that are eligible to vest and become nonforfeitable ("**CIC Post-Termination Units**") will be determined as of the date of the Change in Control in accordance with Exhibit A to the Grant Notice and the date of the Change in Control will serve as the last day of the Performance Period for purposes of such determination. The CIC Post-Termination Units, if any, will vest immediately upon the occurrence of the Change in Control and the date on which the Change in Control is consummated shall be treated as the Settlement Date for purposes of Section 7 hereof.

(c) If the Participant incurs a CIC Qualified Termination, all Units that remain outstanding and unvested (after application of the provisions of Section 9) shall fully vest on the date of such termination, and, in the event that the date of such CIC Qualified Termination occurs prior to the occurrence of any Change in Control, the number of vested Units will be determined by the level of actual performance through the date of such CIC Qualified Termination.

(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 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 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 vest (such date, the "**Settlement Date**") (but in no event later than March 15th of the calendar year following the calendar year in which such vesting occurs), 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 Change in Control. Upon the occurrence of a Change in Control during the Performance Period where a Replacement Award (as defined below) is provided to the Participant at the time of the Change in Control in lieu of the Units, the number of Units that remain outstanding and unvested following the Change in Control and eligible to vest solely based on the passage of time will be determined as of the date of the Change in Control in accordance with Exhibit A to the Grant Notice (the "**CIC Eligible Units**") and the date of the Change in Control will serve as the last day of the Performance Period for purposes of such determination. Subject to the Participant's continuous Service, the CIC Eligible Units will vest on the last day of the Performance Period. Upon the occurrence of a Change in Control where a Replacement Award is not provided to the Participant in lieu of the Units, the CIC Eligible Units will vest. In either case, all Units in excess of the CIC Eligible Units shall immediately be forfeited and cancelled, and Participant shall not be entitled to any compensation or other amount with respect thereto.

9.2 Replacement Award. A "Replacement Award" is an Award that (i) is the same (i.e., the Award continues, other than with respect to performance conditions as set forth in Section 9.1) or is of the same type as the Award that is replaced or adjusted by a Replacement Award (the "**Replaced Award**") (i.e., restricted stock units); (ii) has a value at least equal to the value of the Replaced Award at the time of the Change in Control; (iii) is subject to the same vesting schedule as the Replaced Award; (iv) relates to equity securities of the Company or its successor upon the Change in Control, or a parent entity of the Company or its successor upon the Change in Control, which securities are subject to an effective registration statement under the Securities Act; (v) if the Participant is subject to U.S. federal income tax under the Code, the tax consequences to the Participant under the Code of the Replacement Award are not less favorable to the Participant than the tax consequences of the Replaced Award; and (vi) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including, but not limited to, the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the requirements for a Replacement Award are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its good faith discretion (taking into account the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) and compliance of the Replaced Award or Replacement Award with Section 409A).

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 Clawback 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.

SECOND AMENDMENT TO TERMINATION AND SETTLEMENT AGREEMENT

This Second Amendment to Termination and Settlement Agreement (this "Amendment") is entered into as of August 5, 2022, by and among South Dearborn Limited, an exempted company incorporated in the Cayman Islands with limited liability ("Parent"), Magnachip Semiconductor Corporation, a Delaware corporation (the "Company"), and Wise Road Capital LTD ("Wise Road"). Each of Parent, Wise Road and the Company are sometimes referred to herein as a "Party".

RECITALS

WHEREAS, Parent, Company and Michigan Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent (the "Merger Sub"), previously entered into that certain Agreement and Plan of Merger, dated as of March 25, 2021 ("Merger Agreement"), pursuant to which Merger Sub was to merge with and into the Company with the Company surviving as a wholly-owned subsidiary of Parent, subject to the terms and conditions of the Merger Agreement;

WHEREAS, Parent, Merger Sub, the Company and Wise Road have entered into that certain Termination and Settlement Agreement (the "Agreement"), dated as of December 13, 2021 and amended pursuant to the First Amendment to Termination and Settlement Agreement, dated as of April 4, 2022, pursuant to which, among other things, the Merger Agreement was terminated on December 20, 2021 upon the Company's receipt of the Parent Initial Fee and the Amended Standby Letter of Credit; and

WHEREAS, pursuant to Section 16 of the Agreement, the Parties, with the exception of Merger Sub, which was dissolved effective March 21, 2022, desire to mutually amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and understandings herein contained, the receipt and sufficiency of which are acknowledged, on the terms and subject to the conditions set forth in this Amendment, the parties, intending to be legally bound, agree as follows:

1. Section 2 of the Agreement titled "Parent Fees" is hereby amended and restated as follows:

"Promptly following the execution of this Agreement, and in any event no later than 5:00 p.m. Eastern time on December 15, 2021 (the "Parent Initial Fee Deadline"), and in consideration for the agreements made by the Company under this Agreement, Parent shall (and Wise Road shall cause Parent to) pay or cause to be paid \$51,000,000 (the "Parent Initial Fee") in cash by wire transfer of immediately available funds to the account designated by the Company prior to the date hereof. Promptly following the execution of the first amendment to this Agreement, and in any event no later than 5:00 p.m. Eastern time on April 4, 2022 (the "Parent Second Fee Deadline"), and in consideration for the agreements made by the Company under this Agreement, Parent shall (and Wise Road shall cause Parent to) pay or cause to be paid \$14,400,000 (the "Parent Second Fee") in cash by wire transfer of immediately available funds to the account designated by the Company. Promptly following the execution of the second amendment to this Agreement, and in any event no later than 5:00 p.m. Eastern time on August 5, 2022 (the "Parent Third Fee Deadline"), and in consideration for the agreements made by the Company under this Agreement, Parent shall (and Wise Road shall cause Parent to) pay or cause to be paid \$3,000,000 (the "Parent Third Fee") in cash by wire transfer of immediately available funds to the account designated by the Company. By no later than 5:00 p.m. Eastern time on October 31, 2022 (the "End Date"), Parent shall (and Wise Road shall cause Parent to) pay or cause to be paid \$1,800,000 (the "Remaining Parent Fee") in cash by wire transfer of immediately available funds to the account designated by the Company. None of the Parent Initial Fee, the Parent Second Fee, the Parent Third Fee or the Remaining Parent Fee shall be repayable or refundable under any circumstances. The Parties acknowledge and agree that, effective as of, and from and after, the Termination Effective Time, neither the Company Termination Fee nor the Parent Termination Fee shall be payable in connection with this Agreement, the Merger Agreement, the Termination or otherwise."

2. Section 3 of the Agreement titled “Amended Standby Letter of Credit” is hereby amended and restated as follows:

“Promptly following the execution of this Agreement, and in any event no later than 5:00 p.m. Eastern time on December 22, 2021 (the “SBLC Deadline”), (a) the Parties shall cause the Standby Letter of Credit to be amended to provide that, on or any time after April 1, 2022, if Parent has not paid the Parent Second Fee to the Company by the Parent Second Fee Deadline, the Company may deliver a draw notice to the Issuing Bank and demand immediate payment of the full amount of the Parent Second Fee (which, for the avoidance of doubt, will not require any consent, instruction or other approval or acknowledgment from Parent or any of its Affiliates) (the “Amended Standby Letter of Credit”), and (b) Parent and Wise Road shall cause an original fully executed version of the Amended Standby Letter of Credit to be delivered to the Company or its designee. Promptly following the execution of the first amendment to this Agreement, and in any event immediately prior to the payment of the Parent Second Fee (the “Second SBLC Deadline”), (a) the Parties shall cause the Amended Standby Letter of Credit, dated as of December 20, 2021, to be amended to provide that, on or any time after June 30, 2022, if Parent has not paid the Parent Third Fee to the Company by the Parent Third Fee Deadline, the Company may deliver a draw notice to the Issuing Bank and demand immediate payment of the full amount of the Parent Third Fee (which, for the avoidance of doubt, will not require any consent, instruction or other approval or acknowledgment from Parent or any of its Affiliates) (the “Second Amended Standby Letter of Credit”), and (b) Parent and Wise Road shall cause an original fully executed version of the Second Amended Standby Letter of Credit to be delivered to the Company or its designee. Promptly following the execution of the second amendment to this Agreement, and in any event immediately prior to the payment of the Parent Third Fee (the “Third SBLC Deadline”), (a) the Parties shall cause the Second Amended Standby Letter of Credit, dated as of April 4, 2022, to be amended to provide that, on or any time after October 31, 2022, if Parent has not paid the Remaining Parent Fee to the Company by the End Date, the Company may deliver a draw notice to the Issuing Bank and demand immediate payment of the full amount of the Remaining Parent Fee (which, for the avoidance of doubt, will not require any consent, instruction or other approval or acknowledgment from Parent or any of its Affiliates) (the “Third Amended Standby Letter of Credit”), and (b) Parent and Wise Road shall cause an original fully executed version of the Third Amended Standby Letter of Credit to be delivered to the Company or its designee.”

3. All references herein and in the Agreement to the “Agreement” shall mean and include the Agreement as amended by this Amendment. Except as amended hereby, the Agreement shall remain unchanged, and the Agreement, as so amended, shall continue in full force and effect in accordance with its terms.

4. The provisions of this Amendment may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing specifically designated as a subsequent amendment to the Agreement, signed on behalf of each of the Parties. No Party may assign either this Amendment or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties. Subject to the preceding sentence, this Amendment shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. This Amendment and any dispute, claim, legal action, suit, proceeding or controversy arising out of or relating hereto, shall be governed by, and construed in accordance with, the Law of the State of Delaware, without regard to conflict of law principles (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

5. Each Party represents and warrants to the other Parties that: (i) such Party has all requisite power and authority to enter into this Amendment and to take the actions contemplated hereby; (ii) the execution and delivery of this Amendment and the actions contemplated hereby have been duly authorized by all necessary corporate or other action on the part of such Party; and (iii) this Amendment has been duly executed and delivered by such Party and, assuming the due authorization, execution and delivery by the other Parties, constitutes a legal, valid and binding obligation of such, enforceable against such Party in accordance with its terms, subject to the Enforceability Exceptions.

6. This Amendment may be executed in any number of counterparts, as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Amendment. Facsimile signatures or signatures received as a pdf attachment to electronic mail shall be treated as original signatures for all purposes of this Amendment. This Amendment shall become effective when, and only when, each Party shall have received a counterpart signed by all of the other Parties.

7. Capitalized terms used herein but not otherwise defined shall have the respective meanings ascribed thereto in the Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the Parties as of the date first written above.

SOUTH DEARBORN LIMITED

By: /s/ Yuanjie Zhang

Name: Yuanjie Zhang

Title: Director

WISE ROAD CAPITAL LTD

By: /s/ Yuanjie Zhang

Name: Yuanjie Zhang

Title: Director

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the Parties as of the date first written above.

MAGNACHIP SEMICONDUCTOR CORPORATION

By: /s/ Theodore S. Kim

Name: Theodore S. Kim

Title: Chief Compliance Officer, General Counsel and
Secretary

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

MagnaChip/Infineon Confidential

PATENT CROSS-LICENSE AGREEMENT

This Patent Cross-License Agreement (“AGREEMENT”) is entered into on June 15, 2017 (“EFFECTIVE DATE”) by and between **Infineon Technologies AG** (“INFINEON”), a corporation duly incorporated under the laws of Germany having its principal offices at Am Campeon 1-12, 85579 Neubiberg, Germany, and **MagnaChip Semiconductor, Ltd.** (“MAGNACHIP”), a company duly organized under the laws of Korea, having its principal offices at 424, Teheran-ro, Gangnam-gu, Seoul 135-738, Republic of Korea (INFINEON and MAGNACHIP hereinafter collectively referred to as the “PARTIES” and individually as a “PARTY”).

Preamble

WHEREAS, each of the PARTIES desires to acquire for itself and its AFFILIATES (as “LICENSEE”) a non-exclusive license under patents of the other PARTY and its AFFILIATES (as “LICENSOR”);

WHEREAS, each of the PARTIES is engaged in semiconductor business;

WHEREAS, each of the PARTIES is willing to enhance its capability in research and development and other necessary functions as a semiconductor company; and

NOW THEREFORE, INFINEON and MAGNACHIP agree as follows:

1. Definitions

- 1.1 “ACQUIRED ENTITY” shall have the meaning ascribed to it in Section 6.1.
- 1.2 “ACQUIRED PARTY” shall have the meaning ascribed to it in Section 6.2.
- 1.3 “ACQUIRING ENTITY” shall have the meaning ascribed to it in Section 6.2.
- 1.4 “ACQUIRING PARTY” shall have the meaning ascribed to it in Section 6.1.
- 1.5 “AFFILIATE” shall mean, with respect to any PERSON, any other PERSON that directly, or indirectly through one or more intermediaries, CONTROLS, is CONTROLLED by or is under common CONTROL with, such first PERSON, provided that such other PERSON shall be deemed to be an AFFILIATE only so long as such CONTROL exists. For these purposes, “CONTROL” shall mean that more than 50% of the controlled PERSON’s outstanding shares or ownership interests representing the right to make decisions for that PERSON are owned or controlled directly or indirectly by the controlling PERSON. Notwithstanding the foregoing, [***] shall not be regarded as an AFFILIATE of INFINEON.

- 1.6 “AGREEMENT” shall have the meaning ascribed to it on page 1 of this AGREEMENT.
- 1.7 “BALANCING PAYMENTS” shall have the meaning ascribed to it in Section 4.1.1.
- 1.8 “COMPETITOR” shall mean, with respect to a PARTY, any PERSON that engages, as of the date of the closing of the transaction contemplated by Section 6.2 or 6.3, in a business that competes with the LICENSED PRODUCTS of such PARTY.
- 1.9 “DISCRETE POWER MOSFET PRODUCT” shall mean [***].
- 1.10 “EFFECTIVE DATE” shall have the meaning ascribed to it on page 1 of this AGREEMENT.
- 1.11 “IGBT DISCRETE PRODUCT” shall mean [***].
- 1.12 “INFINEON LICENSED PATENTS” shall mean:
- (a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2020, including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and
 - (b) under which patents, utility models or design patents (including applications therefor) INFINEON or any of its AFFILIATES has, during the TERM, the right to grant licenses of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by INFINEON or its AFFILIATES to THIRD PARTIES (except for payments among INFINEON and its AFFILIATES, and payments to employees of INFINEON or any of its AFFILIATES or to THIRD PARTIES for inventions made by said THIRD PARTIES while employed or otherwise engaged by INFINEON or any of its AFFILIATES).
- 1.13 “INFINEON LICENSED PRODUCTS” shall mean [***].
- 1.14 “LICENSED PATENTS” shall mean INFINEON LICENSED PATENTS or MAGNACHIP LICENSED PATENTS, as applicable.
- 1.15 “LICENSED PRODUCTS” shall mean INFINEON LICENSED PRODUCTS or MAGNACHIP LICENSED PRODUCTS, as applicable.
- 1.16 “LICENSEE” shall have the meaning ascribed to it on page 1 of this AGREEMENT.
- 1.17 “LICENSOR” shall have the meaning ascribed to it on page 1 of this AGREEMENT.
- 1.18 “MAGNACHIP LICENSED PATENTS” shall mean:

- (a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2020, including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and
- (b) under which patents, utility models or design patents (including applications therefor) MAGNACHIP or any of its AFFILIATES has, during the TERM, the right to grant licenses of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by MAGNACHIP or its AFFILIATES to THIRD PARTIES (except for payments among MAGNACHIP and its AFFILIATES, and payments to employees of MAGNACHIP or any of its AFFILIATES or to THIRD PARTIES for inventions made by said THIRD PARTIES while employed or otherwise engaged by MAGNACHIP or any of its AFFILIATES).

1.19 “MAGNACHIP LICENSED PRODUCTS” shall mean any DISCRETE POWER MOSFET PRODUCTS with identification numbers or codes assigned thereto and any individual IGBT DISCRETE PRODUCTS with identification numbers or codes assigned thereto, in each case first sold at production volume prior to (and including) December 31, 2020 which (i) are designed or developed by or for MAGNACHIP and/or any of its AFFILIATES (either solely or jointly with one or more THIRD PARTIES), or of which designs are licensed or acquired by MAGNACHIP and/or any of its AFFILIATES and (ii) if marketed, are marketed by MAGNACHIP and/or any of its AFFILIATES under its own name as its own product.

1.20 “MAGNACHIP POWER BUSINESS LINE” shall mean MAGNACHIP’s business line consisting of the design, marketing and sale of any and all power solutions products, where the term “power solutions” has the meaning generally understood in the global semiconductor industry. As of the EFFECTIVE DATE, the MAGNACHIP POWER BUSINESS LINE includes certain discrete and integrated circuit solutions for power management in consumer, communication and industrial applications — namely, power converters, discrete IGBTs, MOSFETs (low voltage, mid voltage, high voltage and superjunction) and power modules. Without limiting the foregoing, in the event that MAGNACHIP designs, markets and sells any other power solutions products now or anytime during the TERM, such products shall be deemed to be a part of the MAGNACHIP POWER BUSINESS LINE.

1.21 “MX” shall mean MagnaChip Semiconductor Corporation, a corporation duly incorporated under the laws of the State of Delaware, U.S.A.

1.22 “PERSON” shall mean an individual, corporation, partnership, limited liability company, limited liability partnership, syndicate, person, trust, association, organization or other entity, including any successor, by merger or otherwise, of any of the foregoing.

1.23 “PRIOR LICENSE AGREEMENT” shall have the meaning ascribed to it in Section 6.1.

1.24 "RECIPIENT" shall have the meaning ascribed to it in Section 6.3.

1.25 "RECIPIENT LICENSED PATENTS" shall mean:

- (a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2020, including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and
- (b) under which patents, utility models or design patents (including applications therefor) RECIPIENT or any of its AFFILIATES has, during the TERM, the right to grant licenses of or within the scope granted herein without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by RECIPIENT or its AFFILIATES to THIRD PARTIES (except for payments among RECIPIENT and its AFFILIATES, and payments to employees of RECIPIENT or any of its AFFILIATES or to THIRD PARTIES for inventions made by said THIRD PARTIES while employed or otherwise engaged by RECIPIENT or any of its AFFILIATES).

1.26 "SUBSIDIARY" of a PERSON shall mean a corporation, company or other entity:

- (a) more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by such PERSON, but such corporation, company or other entity shall be deemed to be a SUBSIDIARY only so long as such ownership or control exists; or
- (b) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than fifty percent (50%) of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is now or hereafter, owned or controlled, directly or indirectly, by such PERSON, but such corporation, company or other entity shall be deemed to be a SUBSIDIARY only so long as such ownership or control exists.

Notwithstanding the foregoing, [***] shall not be regarded as a SUBSIDIARY of INFINEON.

1.27 "TERM" shall have the meaning ascribed to it in Section 5.1.

1.28 "THIRD PARTY" shall mean a PERSON other than a PARTY, a PARTY'S AFFILIATE or a PARTY'S SUBSIDIARY.

1.29 "THIRD PARTY MANUFACTURER" shall mean a manufacturer that is a THIRD PARTY, subject to the conditions set forth in Section 2.3.

1.30 "TRANSFERRING PARTY" shall have the meaning ascribed to it in Section 6.3.

2. License Grants

- 2.1 INFINEON, as LICENSOR, hereby grants and shall cause its AFFILIATES to grant to MAGNACHIP, as LICENSEE, a non-exclusive, non-transferable (except in accordance with Section 7.2), worldwide license, without the right to sublicense (except to its AFFILIATES in accordance with Section 2.5), under INFINEON LICENSED PATENTS:
- (a) to make (including the right to use any apparatus and practice any method in making, including without limitation design, test, assemble etc.), use, import, offer for sale, lease, license, sell and/or otherwise dispose of MAGNACHIP LICENSED PRODUCTS; and
 - (b) to have MAGNACHIP LICENSED PRODUCTS made by a THIRD PARTY MANUFACTURER for the use, importation, offer for sale, lease, sale and/or other disposition of such LICENSED PRODUCTS by MAGNACHIP subject to the conditions set forth in Section 2.3.
- 2.2 MAGNACHIP, as LICENSOR, hereby grants and shall cause its AFFILIATES to grant to INFINEON, as LICENSEE, a non-exclusive, non-transferable (except in accordance with Section 7.2), worldwide license, without the right to sublicense (except to its AFFILIATES in accordance with Section 2.5), under MAGNACHIP LICENSED PATENTS:
- (a) to make (including the right to use any apparatus and practice any method in making, including without limitation design, test, assemble etc.), use, import, offer for sale, lease, license, sell and/or otherwise dispose of INFINEON LICENSED PRODUCTS; and
 - (b) to have INFINEON LICENSED PRODUCTS made by THIRD PARTY MANUFACTURER for the use, importation, offer for sale, lease, sale and/or other disposition of such LICENSED PRODUCTS by INFINEON subject to the conditions set forth in Section 2.3.
- 2.3 The licenses granted in Section 2.1(b) and 2.2(b) to have LICENSED PRODUCTS made by a THIRD PARTY MANUFACTURER:
- (a) shall only apply to such LICENSED PRODUCTS manufactured by such THIRD PARTY MANUFACTURER for LICENSEE after the EFFECTIVE DATE;
 - (b) shall only apply to LICENSED PRODUCTS or portions thereof for which the specifications were created by LICENSEE (either solely or jointly with one or more THIRD PARTIES) or for LICENSEE or by or for LICENSEE'S predecessor (including specifications licensed or acquired by LICENSEE or LICENSEE'S predecessor from THIRD PARTIES);
 - (c) shall only be granted under claims of LICENSED PATENTS, the infringement of which would be necessary in order to comply with such specifications;

- (d) shall not apply to any apparatus or methods when used or practiced by said THIRD PARTY MANUFACTURER for the manufacture of products other than LICENSED PRODUCTS;
- (e) shall not include the right to resell LICENSED PRODUCTS to the THIRD PARTY MANUFACTURER for the purpose of further resale by the THIRD PARTY MANUFACTURER under its own name, trade mark or logo to THIRD PARTIES; and
- (f) shall not apply to the manufacture or assembly by the THIRD PARTY MANUFACTURER of a standard, off-the shelf product of the THIRD PARTY MANUFACTURER, originally designed or developed by or for the THIRD PARTY MANUFACTURER and to which only minor revisions are made to conform to the specifications of the LICENSED PRODUCT.

For the avoidance of doubt, the licenses granted in Section 2.1(b) and 2.2(b) to have LICENSED PRODUCTS made by a THIRD PARTY MANUFACTURER shall not extend to the manufacturing process employed by the THIRD PARTY for manufacture of LICENSED PRODUCTS, except to the extent that the manufacturing process has been licensed or provided to the THIRD PARTY MANUFACTURER by LICENSEE.

Notwithstanding the foregoing, with respect to the manufacturing process employed by the THIRD PARTY MANUFACTURER, each PARTY agrees not to assert its rights under the LICENSED PATENTS against the other PARTY and/or its AFFILIATES and/or their customers to the extent the other PARTY would be licensed under this AGREEMENT if the manufacturing process had been provided by the other PARTY; provided, however, that each PARTY reserves the right to assert its rights against the THIRD PARTY MANUFACTURER or any other THIRD PARTY.

In response to a written request identifying a LICENSED PRODUCT and a THIRD PARTY MANUFACTURER, LICENSEE shall in a timely manner inform LICENSOR whether such LICENSED PRODUCT is manufactured by such THIRD PARTY MANUFACTURER pursuant to the license granted in Section 2.1(b) or 2.2(b).

- 2.4 It is the intent of the PARTIES that a PARTY is not subject to claims of indirect infringement (under 35 U.S.C. 271(b) and (c)) of any LICENSED PATENT of the other PARTY (“INDIRECT INFRINGEMENT”) arising from any activity that is authorized under the licenses granted to such PARTY under this AGREEMENT; provided that (a) nothing in this Section 2.4 will be deemed to constitute or give rise to any right of any PARTY by way of exhaustion or otherwise, and (b) an assertion of claims of infringement against any THIRD PARTY is not an assertion of INDIRECT INFRINGEMENT against the other PARTY for purposes of this Section 2.4. Each PARTY agrees that it will not in any event advocate or advise that this Section 2.4 constitutes or gives rise to any right of any THIRD PARTY by way of exhaustion or otherwise.

The PARTIES agree that a PARTY has the right to sue a THIRD PARTY for patent infringement where such infringement arises from a combination of LICENSED PRODUCT with any other products or from the interaction/relationship between the LICENSED PRODUCT and such other products, but such PARTY shall not sue such THIRD PARTY for patent infringement solely based on the other PARTY's LICENSED PRODUCT. By way of example and for the avoidance of any doubt regarding the effect of patent exhaustion, if MAGNACHIP's customer (a THIRD PARTY) purchases a discrete power MOSFET product constituting a LICENSED PRODUCT from MAGNACHIP and incorporates such product into its TV device, which naturally includes many other semiconductor components and materials, then INFINEON shall have the right to sue such customer for patent infringement based on such other semiconductor components or materials or based on the interaction/relationship between the LICENSED PRODUCT and such other semiconductor components or materials, but not based solely on the LICENSED PRODUCT that the customer purchased from MAGNACHIP.

Nothing contained in this AGREEMENT shall be construed as conferring any rights by implication, estoppels or otherwise, under any non-patent intellectual property right, or any patents, patent applications, utility models or utility model applications, other than the LICENSED PATENTS. Neither PARTY is required hereunder to furnish or disclose to the other any technical or other information (including copies of LICENSED PATENTS) except as specifically provided herein.

In the event that neither a PARTY nor any of its AFFILIATES has the right to grant a license of the scope set forth in Section 2 under any particular LICENSED PATENT, then the license granted herein under said LICENSED PATENT shall be of the broadest scope which said PARTY or any of its AFFILIATES has the right to grant within the scope set forth above.

- 2.5 The licenses granted herein include the right of each PARTY to grant sublicenses to its AFFILIATES existing on or after the EFFECTIVE DATE, which sublicenses may include the right of the sublicensed AFFILIATES to grant sublicenses to other AFFILIATES. No sublicense shall be broader in any respect at any time during the TERM than the license held at that time by the PARTY that granted the sublicense.

Except as otherwise provided in Section 6, a sublicense granted to an AFFILIATE shall terminate on the earlier of:

- (a) the date on which such AFFILIATE ceases to be an AFFILIATE of a PARTY hereto; and
- (b) the date of termination or expiration of the license to the PARTY or AFFILIATE that granted the sublicense.

If an AFFILIATE ceases to be an AFFILIATE and holds any LICENSED PATENTS under which a PARTY hereto is licensed, such license shall continue for the TERM.

3. Releases and Non-Assertion Covenants

- 3.1 MAGNACHIP and its AFFILIATES hereby release, acquit and forever discharge INFINEON, its AFFILIATES, directors, officers, employees, successors, customers, THIRD PARTY MANUFACTURERS and end users in any country, for any time prior to the EFFECTIVE DATE, from any and all claims or liability for acts of infringement or alleged infringement of any of MAGNACHIP LICENSED PATENTS under which a license is herein granted by MAGNACHIP and which, if performed after the EFFECTIVE DATE, would have been licensed pursuant to the terms of this AGREEMENT.
- 3.2 Upon INFINEON'S receipt in full of BALANCING PAYMENT NO. 1 and BALANCING PAYMENT NO. 2, INFINEON and its AFFILIATES hereby, automatically and without further action being required, release, acquit and forever discharge MAGNACHIP, its AFFILIATES, directors, officers, employees, successors, customers, THIRD PARTY MANUFACTURERS and end users in any country, for any time prior to the EFFECTIVE DATE, from any and all claims or liability for acts of infringement or alleged infringement of any of INFINEON LICENSED PATENTS under which a license is herein granted by INFINEON and which, if performed after the EFFECTIVE DATE, would have been licensed pursuant to the terms of this AGREEMENT. Prior to INFINEON'S receipt in full of BALANCING PAYMENT NO. 1 and BALANCING PAYMENT NO. 2, no release will be understood to have been granted by INFINEON.
- 3.3 Subject to Section 5.4 and until the release set forth in Section 3.2 becomes effective, INFINEON and its AFFILIATES hereby covenant not to file against MAGNACHIP, its AFFILIATES, directors, officers, employees, successors, customers, THIRD PARTY MANUFACTURERS and/or end users any suit for infringement of any INFINEON LICENSED PATENTS under which a license is herein granted by INFINEON and which, if performed after the EFFECTIVE DATE, would have been licensed pursuant to the terms of this AGREEMENT.
- 3.4 The releases and non-assertion covenants contained herein shall not apply to any person other than the persons named in this Section 3 and shall not apply to the manufacture of any items by any person other than the PARTIES and their AFFILIATES and their respective THIRD PARTY MANUFACTURERS. The releases granted herein are effective immediately upon receipt of the payment due, if any, under Section 4.

4. Payments

- 4.1 MAGNACHIP shall make the following payments to INFINEON in accordance with the following provisions:

4.1.1 Balancing Payments

In consideration for the license granted by each PARTY and its AFFILIATES pursuant to this AGREEMENT and the releases set forth in Section 3, MAGNACHIP shall pay to INFINEON in accordance with the agreed upon payment schedule as set forth in Annex 1 a sum of [***] (collectively, the "BALANCING PAYMENTS").

For each BALANCING PAYMENT installment as set forth in Annex 1, INFINEON will issue a corresponding invoice, and payments shall be made not later than (i) fifteen (15) calendar days following the receipt by MAGNACHIP of the respective invoice or (ii) the respective due date, whichever is later.

- 4.1.2 For the avoidance of doubt, no payment is to be made by INFINEON or its AFFILIATES to MAGNACHIP or its AFFILIATES with respect to the licenses and other rights granted by MAGNACHIP or its AFFILIATES to INFINEON and its AFFILIATES; provided that the foregoing shall not have any effect on any obligation that may arise under this AGREEMENT whereby INFINEON is required to make an adjustment payment or a refund payment to MAGNACHIP, including pursuant to Section 6.2.
- 4.2 MAGNACHIP shall be liable for interest on any overdue payment required to be made pursuant to this Section 4, commencing on the date such payment becomes due, at an annual rate of ten percent (10%). If such interest rate exceeds the maximum permissible legal rate in the jurisdiction where a claim therefor is being asserted, the interest rate shall be reduced to such maximum permissible legal rate.
- 4.3 Payments shall be made in US Dollars by electronic funds transfer and shall be deemed to be made on the date credited to the following account of INFINEON:

| | |
|-------------|-------|
| Bank | [***] |
| Account No. | [***] |
| Swift Code | [***] |
| IBAN | [***] |

- 4.4 With the exception of value added tax (hereinafter “VAT”) and similar taxes (if any), all taxes, customs duties and other charges imposed by governmental authorities on INFINEON with respect to any payments to be made by MAGNACHIP under or in connection with this AGREEMENT (hereinafter “TAXES”) shall be the responsibility of INFINEON. All fees and charges hereunder shall include all TAXES.

All fees and charges (amounts) specified in accordance with this AGREEMENT shall be net of any VAT, sales tax, goods and service tax, business taxes or similar taxes thereon. Insofar as the license grants agreed upon under this AGREEMENT are subject to VAT or similar taxes, such VAT / similar taxes shall – to the extent they are not owed to the competent tax authority by the respective Licensee under a reverse charge mechanism/for an intra-community acquisition (or any similar provision under the applicable tax laws) – be paid by the respective Licensee in addition to the agreed amounts. The respective Licensor is obliged to render proper invoices within the meaning of the applicable tax law.

Notwithstanding the foregoing, the PARTIES acknowledge that for VAT purposes INFINEON supplies its service to a place of business of MAGNACHIP outside of Germany (that is, cross-border supply of services) and does not have to charge German VAT, MAGNACHIP will inform INFINEON in writing if a permanent establishment is to be established in Germany to which INFINEON’s service is to be rendered. In the event

that the PARTIES determine jointly that the place of supply (from INFINEON to MAGNACHIP) has changed to a German place of business and that INFINEON has to charge German VAT at statutory rates, then MAGNACHIP shall bear the cost of such German VAT, provided that INFINEON issues to MAGNACHIP on a timely basis an invoice that complies with the requirements of sec. 14, para. 4 of the German VAT Act (Umsatzsteuergesetz). The same applies in case the German tax authorities assess such German VAT on the grounds that MAGNACHIP has a permanent establishment in Germany. If MAGNACHIP fails to timely inform INFINEON about establishing a permanent establishment in Germany, MAGNACHIP holds INFINEON harmless of any damages, fines or penalties assessed against INFINEON as a result of MAGNACHIP having a permanent establishment in Germany.

All amounts due under this AGREEMENT shall be paid without deduction for income taxes. If withholdings of whatever nature are due on payments to be made by any LICENSEE or LICENSOR, then the PARTIES shall cooperate to achieve, if possible, a partial or complete exemption from the withholding obligation and to make the withholding at the lowest possible rate. Should a withholding obligation nevertheless exist, LICENSEE shall make the necessary gross-up payments to leave LICENSOR (after the deduction of the withholding tax) with an amount equal to the payment which would have been due had no withholding tax deduction been required. Gross-up payment for the tax to be withheld by LICENSEE shall not be made (i) if and to the extent LICENSOR may claim a credit in its own tax jurisdiction and (ii) if and to the extent LICENSOR may claim a refund of the tax withheld in the jurisdiction of the LICENSEE. In this event, LICENSEE shall promptly furnish receipts and other documents evidencing the payment of such withholding taxes.

Each PARTY shall be responsible for any and all taxes payable to any local, autonomous, state and/or national governments on its LICENSED PRODUCTS manufactured, imported, exported, distributed, marketed, promoted, advertised and/or sold, and the PARTIES shall reasonably cooperate with each other in obtaining exemption from withholding taxes where available under applicable law.

5. **Term and Termination**

- 5.1 This AGREEMENT shall become effective as of the EFFECTIVE DATE and shall continue in effect until December 31, 2021 (the "TERM"). Unless this AGREEMENT is terminated before the end of TERM pursuant to Section 5.2, 5.3 or 5.4, at the request of a PARTY the PARTIES shall in good faith, commence discussing a renewal at least two (2) months prior to the end of TERM, including the consideration for renewal and the adjustment of the scope of LICENSED PRODUCTS under this AGREEMENT.
- 5.2 If, during the TERM, a PARTY or any of its AFFILIATES files any suit for infringement of any LICENSED PATENTS against the other PARTY or any of its AFFILIATES with regard to any product which is not a LICENSED PRODUCT (such PARTY hereinafter referred to as "ASSERTING PARTY"), the other PARTY shall have the right to terminate the ASSERTING PARTY's and its AFFILIATES' rights and licenses granted pursuant to this AGREEMENT with immediate effect. Should the other PARTY exercise this right: (i)

the other PARTY's obligations (including without limitation any payment obligations) set forth in this AGREEMENT shall likewise terminate with immediate effect; and (ii) the licenses granted to the other PARTY under this AGREEMENT shall survive for the TERM, and the ASSERTING PARTY's obligations (including without limitation any payment obligations) set forth in this AGREEMENT shall likewise survive for the TERM. The terms and conditions of this AGREEMENT shall be otherwise unaffected.

If MAGNACHIP is the ASSERTING PARTY and INFINEON terminates MAGNACHIP's and its AFFILIATES' rights and licenses granted pursuant to this AGREEMENT, all BALANCING PAYMENTS as set forth in Annex 1 shall automatically become due and payable in full on the effective date of such termination.

In the event of a PARTY being acquired by a THIRD PARTY pursuant to Section 6.2, the other PARTY shall have the right to terminate this Section 5.2 with immediate effect by giving written notice to the ACQUIRED PARTY within ninety (90) calendar days from receiving written notice of such acquisition.

- 5.3 Either PARTY may terminate this AGREEMENT with immediate effect by giving written notice to the other PARTY if such other PARTY: (a) becomes insolvent or makes an assignment for the benefit of creditors, or attempts to effect a composition with creditors; (b) suspends normal business operations; or (c) files a petition for bankruptcy, insolvency or reorganization, or for the appointment of a receiver, trustee or custodian for any creditor or its property (or any substantial portion thereof), or any similar petition or commencement of any similar action under applicable law, or has such a petition filed or proceeding commenced against it and such a petition filed or proceeding commenced against it is not dismissed within sixty (60) calendar days.
- 5.4 If any BALANCING PAYMENT is not made in full on or prior to the applicable due date, then INFINEON may terminate this AGREEMENT by providing written notice to MAGNACHIP; provided, however, that such written notice shall include sufficient details to inform MAGNACHIP as to the reason for the termination notice, including the amount due; and provided further that, MAGNACHIP shall have thirty (30) calendar days from receipt of such notice to cure its non-payment. If MAGNACHIP fails to make the required payment within such 30-day period, then INFINEON's termination notice shall become effective immediately upon expiration of such 30-day period. In the event of termination by INFINEON pursuant to this Section 5.4, the licenses and rights granted hereunder to INFINEON shall remain unaffected for the duration of the TERM.
- 5.5 If INFINEON terminates this AGREEMENT pursuant to Section 5.3 or 5.4, BALANCING PAYMENT NO. 1, and BALANCING PAYMENT NO. 2, to the extent not already paid, and any other BALANCING PAYMENT that is due but unpaid, shall automatically become due and payable in full on the effective date of such termination.
- 5.6 The releases given to each PARTY pursuant to Section 3 of this AGREEMENT shall, once granted, be irrevocable and shall not be affected by the expiration or termination of this AGREEMENT. Sections 1, 3 and 7 shall survive the expiration or termination of this AGREEMENT.

6. Acquisition; Transfer; Spin-off**6.1 A PARTY acquiring a THIRD PARTY**

If, after the EFFECTIVE DATE, a PARTY or any of its AFFILIATES (“ACQUIRING PARTY”) either acquires an entity or acquires substantially all of the assets from an entity (“ACQUIRED ENTITY”), the following shall apply:

- (a) The license, release and other rights granted herein to the ACQUIRING PARTY with respect to the LICENSED PATENTS shall apply to products of the ACQUIRED ENTITY, to the extent that such products of the ACQUIRED ENTITY would be considered LICENSED PRODUCTS under this AGREEMENT if they were products of the ACQUIRING PARTY.
- (b) In the event that, at the date of the acquisition, the ACQUIRED ENTITY is licensed by the other PARTY to this AGREEMENT through an existing license agreement covering the same LICENSED PRODUCTS and LICENSED PATENTS, or parts thereof, as licensed under this AGREEMENT (“PRIOR LICENSE AGREEMENT”), pursuant to which payments are to be made by the ACQUIRED ENTITY to the other PARTY, the following shall apply: In order to avoid double payment for the same license, the BALANCING PAYMENTS to be made under this AGREEMENT shall prevail over payments or royalties to be made under the PRIOR LICENSE AGREEMENT to the extent both agreements cover the same LICENSED PATENTS and LICENSED PRODUCTS. To the extent the PRIOR LICENSE AGREEMENT covers LICENSED PATENTS or LICENSED PRODUCTS not subject to this AGREEMENT, the royalties or other payments due for that scope of the PRIOR LICENSE AGREEMENT shall continue to be made by the ACQUIRING PARTY or ACQUIRED ENTITY to the other PARTY pursuant to the payment terms of the PRIOR LICENSE AGREEMENT.
- (c) The other PARTY to this AGREEMENT shall have the right to terminate the application of the license in Section 6.1(a) to products of the ACQUIRED ENTITY based on a pending patent infringement suit or alleged patent infringement pursuant to a notice letter involving the ACQUIRED ENTITY or any of its SUBSIDIARIES and the other PARTY to this AGREEMENT or any of its SUBSIDIARIES whether or not related to any of the LICENSED PATENTS or LICENSED PRODUCTS.

6.2 A PARTY being acquired by a THIRD PARTY

If one PARTY (the “ACQUIRED PARTY”) is acquired by a THIRD PARTY (“ACQUIRING ENTITY”):

- (a) the ACQUIRED PARTY shall promptly give notice of such acquisition to the other PARTY; and

- (b) the license granted to the ACQUIRED PARTY and all sublicenses (if any) granted to the ACQUIRED PARTY'S remaining AFFILIATES shall automatically become limited to apply to those LICENSED PRODUCTS, including error corrections and minor adaptations pursuant to customer requirements which are created by the ACQUIRED PARTY in the normal course of business, that have been marketed by said ACQUIRED PARTY (or, in the case of an AFFILIATE, by such AFFILIATE) within the licenses granted in this AGREEMENT (or within the sublicense in the case of an AFFILIATE) prior to such acquisition; and
- (c) following such acquisition, the license granted to the ACQUIRED PARTY shall be limited in the twelve (12) months immediately following such acquisition to a volume of LICENSED PRODUCTS having an aggregate net selling price equal to no more than the aggregate net selling price of such LICENSED PRODUCTS in the twelve (12) months preceding such acquisition plus ten percent (10%) and shall be limited, in each of the successive twelve-month periods following such acquisition, to a volume of LICENSED PRODUCTS having an aggregate net selling price equal to no more than the aggregate net selling price of such LICENSED PRODUCTS for the immediately preceding twelve-month period plus ten percent (10%).

In the event the ACQUIRING ENTITY is a COMPETITOR or a supplier to a COMPETITOR of the other PARTY or any of its AFFILIATES at the time of the acquisition, then such other PARTY shall have the right to terminate this AGREEMENT with immediate effect by giving written notice to the ACQUIRED PARTY within ninety (90) calendar days from receiving written notice of the acquisition. In the event of a disagreement between the ACQUIRED ENTITY and such other PARTY regarding whether the ACQUIRING ENTITY is a COMPETITOR or a supplier to a COMPETITOR, the ACQUIRED PARTY shall have the burden of proof of establishing that the ACQUIRING ENTITY is neither a COMPETITOR nor a supplier to a COMPETITOR of such other PARTY.

If INFINEON terminates this AGREEMENT pursuant to the foregoing sentence, then BALANCING PAYMENT NO. 1, and BALANCING PAYMENT NO. 2, to the extent not already paid, and any other BALANCING PAYMENT that is due but unpaid, shall immediately become due and payable in full.

Notwithstanding the foregoing, except for BALANCING PAYMENT NO. 1, and BALANCING PAYMENT NO. 2, if INFINEON terminates this AGREEMENT pursuant to this Section 6.2, then any BALANCING PAYMENT, which had already been paid for the year during which such termination occurs, shall be subject to a pro rata refund. The amount of such refund shall be calculated by multiplying the amount of the applicable BALANCING PAYMENT by a fraction whose numerator is the number of calendar days remaining in the calendar year and whose denominator is 365. INFINEON shall pay such refund within thirty (30) calendar days after receipt of a proper invoice issued upon termination of this AGREEMENT pursuant to this Section 6.2. As an example, if this AGREEMENT is terminated after BALANCING PAYMENT NO. 4 is made and there are two hundred (200) calendar days remaining in the calendar year 2019, then INFINEON shall pay a refund of [***] to MAGNACHIP.

In the event of a PRIOR LICENSE AGREEMENT between the ACQUIRING ENTITY and the other PARTY, pursuant to which royalties or other payments are to be made by the ACQUIRING ENTITY to the other PARTY, such royalties or other payments shall continue to be made by the ACQUIRING ENTITY to the other PARTY pursuant to the payment terms of the PRIOR LICENSE AGREEMENT.

6.3 If, subsequent to the EFFECTIVE DATE, a PARTY (the “TRANSFERRING PARTY”) either:

- (i) transfers a business unit producing LICENSED PRODUCTS or a product line with LICENSED PRODUCTS to a THIRD PARTY without transferring the SUBSIDIARY to said THIRD PARTY; or
- (ii) spins off a SUBSIDIARY producing LICENSED PRODUCTS (either by disposing of it to a THIRD PARTY or in any other manner reducing ownership or control so that the spun-off entity is no longer a SUBSIDIARY of the TRANSFERRING PARTY) (in each case of (i) and (ii) above, the THIRD PARTY transferee or spun-off ex-SUBSIDIARY hereinafter referred to as “RECIPIENT”), then the following shall apply:

After written request made jointly by the TRANSFERRING PARTY and the RECIPIENT to the other PARTY hereto, which is made within one hundred and twenty (120) calendar days following the effective date of such transfer or spin off (the “TRANSFER NOTICE”), the other PARTY hereto shall grant a license at no further cost (otherwise under the same terms as the license granted to the TRANSFERRING PARTY herein) to the RECIPIENT under its LICENSED PATENTS, provided that:

- (a) the license shall be as broad as the scope of the license granted herein to the TRANSFERRING PARTY, but no broader than necessary to cover the particular LICENSED PRODUCTS, assets and/or business being transferred or spun off, of the ex-SUBSIDIARY, including derivatives thereof and extensions thereto created pursuant to the normal course of business; and
- (b) the RECIPIENT shall grant to such other PARTY a royalty-free license (under the same terms as the license granted to such other PARTY herein) under all RECIPIENT LICENSED PATENTS for all LICENSED PRODUCTS of such other PARTY;
- (c) this Section 6.3, Section 3, Section 4 and Section 5.2 shall be omitted from the license granted to the RECIPIENT; and
- (d) the license granted to the RECIPIENT and granted by the RECIPIENT to the other PARTY shall terminate if the license granted to the TRANSFERRING PARTY terminates or is terminated for any reason.

Any payments under this AGREEMENT shall continue to be made by the TRANSFERRING PARTY to the other PARTY, unless upon written request made jointly by the TRANSFERRING PARTY and the RECIPIENT, the other PARTY agrees in writing to receive a certain portion of any payments due hereunder directly from the RECIPIENT.

Notwithstanding the foregoing, if the RECIPIENT is a COMPETITOR or a supplier to a COMPETITOR of the other PARTY or any of its AFFILIATES at the time of the transfer or spin-off, as applicable, then such other PARTY shall have the right to contest its obligation under this Section 6.3 to grant a license to the RECIPIENT by providing written notice (the "CONTEST NOTICE") to the TRANSFERRING PARTY within ninety (90) calendar days after delivery of the TRANSFER NOTICE. For a period of sixty (60) calendar days after delivery of the CONTEST NOTICE, such other PARTY, the TRANSFERRING PARTY and the RECIPIENT shall engage in good faith discussions to resolve the issue. In the event of a disagreement regarding whether the RECIPIENT is a COMPETITOR or a supplier to a COMPETITOR, the TRANSFERRING PARTY shall have the burden of proof of establishing that the RECIPIENT is neither a COMPETITOR nor a supplier to a COMPETITOR of such other PARTY. If the three parties are unable to resolve the issue within such sixty (60) day period, then such other PARTY shall not be obligated under this Section 6.3 to grant a license to the RECIPIENT.

In the event that the transfer of a business unit contemplated in this Section 6.3 consists of or includes all or substantially all of the MAGNACHIP POWER BUSINESS LINE, then INFINEON, MAGNACHIP and the RECIPIENT shall engage in good faith discussions for the purpose of assigning MAGNACHIP's rights and obligations under this AGREEMENT to the RECIPIENT under substantially the same terms and conditions of this AGREEMENT; provided that, if the RECIPIENT is a COMPETITOR or a supplier to a COMPETITOR of INFINEON or any of its AFFILIATES at the time of the transfer or spin-off, as applicable, then the immediately preceding paragraph shall nevertheless apply.

7. Miscellaneous

- 7.1 Either PARTY shall be free to assign or grant any right under any of its LICENSED PATENTS provided that the licenses and rights granted hereunder remain unaffected.
- 7.2 Without prejudice to Sections 6.2 and 6.3, neither PARTY shall assign any of its rights (other than the right to receive payments) or delegate any of its obligations under this AGREEMENT. Any attempt to do so shall be void. However, a PARTY which undergoes reorganization may assign such rights and delegate such obligations to its legal successor, provided that after the reorganization, the successor and its SUBSIDIARIES will have essentially the same assets as such PARTY and its SUBSIDIARIES had prior to the reorganization.
- 7.3 Notices and other communications shall be in writing and shall be deemed duly given (a) if by facsimile, on the date of written confirmation of receipt by facsimile, e-mail or otherwise, or (b) on the third (3rd) business day following the date of dispatch if delivered utilizing a express courier service by a recognized international courier. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the Party to receive such notice:

For INFINEON:

Vice President Intellectual Property
Infineon Technologies AG
[***]
Fax: [***]
Email: [***]

For MAGNACHIP:

General Counsel
MagnaChip Semiconductor, Ltd.
[***]
Fax: [***]
Email: [***]

with a copy to
Infineon Technologies AG
Legal Department
[***]
Fax: [***]
E-mail: [***]

- 7.4 Each PARTY represents and warrants that it has the full right and power to grant the licenses and releases set forth in Sections 2 and 3. Neither PARTY makes any other representation or warranty, express or implied, nor shall either PARTY have any liability in respect of any infringement of patents or other rights of THIRD PARTIES due to the other PARTY's operation under the license herein granted. In no event shall either PARTY be liable to the other PARTY by reason of this AGREEMENT or any breach or termination of this AGREEMENT for any loss of profits or revenue, business interruptions, cost of capital or any special, incidental or consequential damages. INFINEON represents and warrants that it has the proper power and authority to cause its AFFILIATES to comply with Section 2.1, and INFINEON hereby agrees to cause such AFFILIATES to comply with Section 2.1. MX represents and warrants that it has the proper power and authority to cause MAGNACHIP's AFFILIATES to comply with Section 2.2, and MX hereby agrees to cause such AFFILIATES to comply with Section 2.2.
- 7.5 In particular, without limitation, nothing contained in this AGREEMENT shall be construed as:
- (a) restricting the right of a PARTY to make, use, sell, lease or otherwise dispose of any particular product or products not herein licensed;
 - (b) an admission by a PARTY, or a warranty or representation of a PARTY, as to the validity and/or scope of the LICENSED PATENTS, or a limitation of a PARTY to contest, in any proceeding the validity and/or scope thereof;
 - (c) a warranty or representation by a PARTY that any manufacture, use, import, sale, lease or other disposition of LICENSED PRODUCTS will be free from infringement of any patent or other intellectual property rights, other than the LICENSED PATENTS; or
 - (d) an admission by a PARTY that it has infringed any patent or other intellectual property rights of the other PARTY.

- 7.6 Neither PARTY shall have any obligation hereunder to institute any action or suit against THIRD PARTIES for infringement of any of its LICENSED PATENTS or to defend any action or suit brought by a third party which challenges or concerns the validity of any of its LICENSED PATENTS. Neither PARTY shall have any right to institute any action or suit against THIRD PARTIES for infringement of any of the other PARTY'S LICENSED PATENTS. Neither PARTY, nor any of its AFFILIATES, is required to file any patent application, or to secure any patent or patent rights, or to maintain any patent in force.
- 7.7 This AGREEMENT including the arbitration agreement in Section 7.8 shall be subject to the substantive law in force in the State of New York, USA, without reference to its conflicts of law provisions. The application of the United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980 shall be excluded.
- 7.8 All disputes arising out of or in connection with this AGREEMENT, including any question regarding its existence, validity or termination, shall be settled finally by arbitration under the Rules of Arbitration of the International Chamber of Commerce, Paris ("ICC") / ("Rules") by three arbitrators without recourse to the courts of any jurisdiction. Each PARTY shall nominate one arbitrator and the two party nominated arbitrators shall nominate the chairman within thirty (30) calendar days. In case the two party nominated arbitrators are unable to nominate a chairman, he/she shall be nominated by the ICC in accordance with the Rules. Place of Arbitration shall be Zurich, Switzerland. The language to be used in the arbitration proceeding shall be English. The arbitration award shall be rendered in writing and shall be binding upon the PARTIES. Nothing in this AGREEMENT shall preclude either PARTY from seeking interim measures of protection in any court of competent jurisdiction. The courts at the place of arbitration shall not have exclusive jurisdiction to entertain such applications. Notwithstanding anything in this Section 7.8 to the contrary, a PARTY or any AFFILIATE of a PARTY shall be free to enforce this AGREEMENT, or any of the terms or conditions hereof, before any judicial, administrative or other body in which the other PARTY, any AFFILIATE of such other PARTY or any successor in interest to any of such other PARTY'S LICENSED PATENTS has asserted or claimed that such PARTY or any AFFILILATE of such PARTY is or may be infringing one or more of such other PARTY'S LICENSED PATENTS.
- 7.9 This AGREEMENT shall not be binding upon the PARTIES until it has been signed by or on behalf of each PARTY. No amendment or modification hereof shall be valid or binding upon the PARTIES unless made in writing and signed as aforesaid, except that either PARTY may amend its address in Section 7.3 by written notice to the other PARTY. The requirement of the written form itself can only be waived in writing.
- 7.10 Neither PARTY shall use or refer to this AGREEMENT or any of its provisions in any promotional activity, public announcement, press release or other communication with THIRD PARTIES. Notwithstanding the foregoing, each PARTY may disclose the existence of this AGREEMENT and what products are LICENSED PRODUCTS to THIRD PARTY customers and/or potential customers who have a reasonable need to know such information and who are bound to confidentiality obligations not less stringent than the obligations of this AGREEMENT.

During the TERM, each PARTY agrees not to disclose any term or condition of this AGREEMENT, as well as any information provided hereunder by a PARTY in performance of its obligations hereunder, to any THIRD PARTY without the prior written consent of the other PARTY. This obligation is subject to the following exceptions:

- (a) disclosure is permissible if required by government or court order, provided the PARTY required to disclose first gives the other PARTY prior written notice to enable it to seek a protective order;
- (b) disclosure is permissible if otherwise required by law;
- (c) disclosure is permissible if required to enforce rights under this AGREEMENT;
- (d) each PARTY may use similar terms and conditions in other agreements;
- (e) each PARTY may disclose, subject to a written confidentiality agreement or other legally binding confidentiality obligation (such as an attorney's duty of confidentiality), this AGREEMENT to its accountants, attorneys and financial advisors, solely to the extent necessary for the performance of their services, and a redacted version of this AGREEMENT limited to the scope of the licenses and releases granted hereunder to its present or future providers of venture capital and/or potential investors in or acquirers of such PARTY, any of its AFFILIATES or product lines which qualify under Section 6.

7.11 If any provision of this AGREEMENT is held to be invalid, illegal or unenforceable under applicable law the remaining provisions shall continue to be in full force and effect. The PARTIES undertake to replace the invalid provision or parts thereof by a new provision which will meet as closely as possible the economic effect intended by the PARTIES at the time of execution of this AGREEMENT.

7.12 This AGREEMENT embodies the entire understanding of the PARTIES with respect to the LICENSED PATENTS, and replaces any prior oral or written communications between them.

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IN WITNESS WHEREOF, the PARTIES hereto have caused this AGREEMENT to be executed by their respective duly authorized representatives:

MagnaChip Semiconductor, Ltd.

Infineon Technologies AG

Date: May 31, 2017

Date: June 16, 2017

By: /s/ Theodore S. Kim
Name: Theodore S. Kim
Title: Executive Vice President & General Counsel

By: /s/ [***]
Name: [***]
Title: Director & Corporate Legal Counsel

By: /s/ Woung Moo Lee
Name: Woung Moo Lee
Title: Executive Vice President & General Manager of SPG

By: /s/ [***]
Name: [***]
Title: Senior Director

AGREED only with respect to Section 7.4 of this AGREEMENT:

MagnaChip Semiconductor Corporation

Date: May 31, 2017

By: /s/ Theodore S. Kim
Name: Theodore S. Kim
Title: Executive Vice President & General Counsel

By: /s/ Woung Moo Lee
Name: Woung Moo Lee
Title: Executive Vice President & General Manager of SPG

Infineon – MagnaChip Confidential

ANNEX 1

[***]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

**FIRST AMENDMENT
TO THE
PATENT CROSS-LICENSE AGREEMENT**

This Amendment to the Patent Cross-License Agreement (“FIRST AMENDMENT”) is entered into with effect as of January 1, 2022 by and between **Infineon Technologies AG** (“INFINEON”), a corporation duly incorporated under the laws of Germany having its principal offices at Am Campeon 1-15, 85579 Neubiberg, Germany, and **Magnachip Semiconductor, Ltd.** (“MAGNACHIP”), a company duly organized under the laws of Korea, having its principal offices at 15F, 76 Jikji-daero 436beon-gil (Jikji Smart Tower), Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, 28581, Republic of Korea (INFINEON and MAGNACHIP hereinafter collectively referred to as the “PARTIES” and individually as a “PARTY”).

Preamble

WHEREAS, INFINEON and MAGNACHIP have entered into a Patent Cross-License Agreement with effect as of June 15, 2017 (“AGREEMENT”);

WHEREAS, both INFINEON and MAGNACHIP desire to amend the AGREEMENT;

NOW THEREFORE, INFINEON and MAGNACHIP agree as follows:

1. Section 1.9 (Definition of DISCRETE POWER MOSFET PRODUCT) of the AGREEMENT shall be replaced in its entirety by the following wording:
“1.9 “DISCRETE POWER MOSFET PRODUCT” shall mean [***].
2. In Section 1.12 (a) (Definition of INFINEON LICENSED PATENTS) of the AGREEMENT the words “December 31, 2020” shall be replaced by “December 31, 2026”. The new Section 1.12 (a) thus reads:
“(a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2026 including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and”

3. In Section 1.13 (Definition of INFINEON LICENSED PRODUCTS) of the AGREEMENT the words [***] shall be deleted. The new Section 1.13 thus reads:
“1.13 “INFINEON LICENSED PRODUCTS” shall mean [***].”
4. Section 1.18 (a) (Definition of MAGNACHIP LICENSED PATENTS) of the AGREEMENT the words “December 31, 2020” shall be replaced by “December 31, 2026”. The new Section 1.18 (a) thus reads:
“(a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2026, including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and”
5. In Section 1.19 (Definition of MAGNACHIP LICENSED PRODUCTS) of the AGREEMENT the words “in each case first sold at production volume prior to (and including) December 31, 2020” shall be deleted. The new Section 1.19 thus reads:
“MAGNACHIP LICENSED PRODUCTS” shall mean any DISCRETE POWER MOSFET PRODUCTS with identification numbers or codes assigned thereto and any individual IGBT DISCRETE PRODUCTS with identification numbers or codes assigned thereto, which (i) are designed or developed by or for MAGNACHIP and/or any of its AFFILIATES (either solely or jointly with one or more THIRD PARTIES), or of which designs are licensed or acquired by MAGNACHIP and/or any of its AFFILIATES and (ii) if marketed, are marketed by MAGNACHIP and/or any of its AFFILIATES under its own name as its own product.”
6. In Section 1.25 (a) (Definition of RECIPIENT LICENSED PATENTS) of the AGREEMENT the words “December 31, 2020” shall be replaced by “December 31, 2026”. The new Section 1.25 (a) thus reads:
“(a) all classes or types of patents, utility models and design patents, including applications therefor, in all countries of the world, which are issued or published, or filed prior to (and including) December 31, 2026, including continuations, divisionals, reissues and other pre-grant and post-grant applications and issuances and foreign counterparts thereof; and”
7. Section 1.27 (Definition of TERM) of the AGREEMENT shall be replaced in its entirety by the following wording:

“1.27“TERM” shall comprise the period from June 15, 2017 to December 31, 2021 (“FIRST TERM”) as well as the period from January 1, 2022 to December 31, 2026 (“SECOND TERM”) and shall have the meaning ascribed to it in Section 5.1.”

8. Section 4.1.1 (Balancing Payments) of the AGREEMENT shall be replaced in its entirety by the following wording:

“4.1.1 Balancing Payments

In consideration for the license granted by each PARTY and its AFFILIATES pursuant to this AGREEMENT and the releases set forth in Section 3, MAGNACHIP has paid to INFINEON in accordance with the agreed upon payment schedule as set forth in Annex 1 a sum of [***] (collectively, the “BALANCING PAYMENTS”).

For each BALANCING PAYMENT installment as set forth in Annex 1 and Annex 2, INFINEON will issue a corresponding invoice, and payments shall be made not later than (i) fifteen (15) calendar days following the receipt by MAGNACHIP of the respective invoice or (ii) the respective due date, whichever is later.

9. Within Section 4.3 of the AGREEMENT the bank account details shall be updated as follows:

| | |
|-------------|-------|
| Bank | [***] |
| Account No. | [***] |
| Swift Code | [***] |
| IBAN | [***] |

10. Section 5.1 (Term and Termination) of the AGREEMENT shall be replaced in its entirety by the following wording:

“5.1 This AGREEMENT has become effective as of the EFFECTIVE DATE and initially was in effect until December 31, 2021 (“FIRST TERM”). The PARTIES have agreed to extend the term of this AGREEMENT from January 1, 2022 to December 31, 2026 (the “SECOND TERM”). Unless this AGREEMENT is terminated before the end of TERM pursuant to Section 5.2, 5.3 or 5.4, at the request of a PARTY the PARTIES shall in good faith, commence discussing a renewal at least two (2) months prior to the end of TERM, including the consideration for renewal and the adjustment of the scope of LICENSED PRODUCTS under this AGREEMENT.”

11. Within Section 6.2 (A PARTY being acquired by a THIRD PARTY) of the AGREEMENT the reference to BALANCING PAYMENT NO. 1 and BALANCING PAYMENT NO. 2 shall be deleted and the respective two paragraphs shall be amended as mentioned below:

(a) The paragraph:

“If INFINEON terminates this AGREEMENT pursuant to the foregoing sentence, then BALANCING PAYMENT NO. 1, and BALANCING PAYMENT NO. 2, to the extent not already paid, and any other BALANCING PAYMENT that is due but unpaid, shall immediately become due and payable in full.”

shall be replaced by the following wording:

“If INFINEON terminates this AGREEMENT pursuant to the foregoing sentence, then any BALANCING PAYMENT that is due but unpaid, shall immediately become due and payable in full.”

(b) The paragraph:

“Notwithstanding the foregoing, except for BALANCING PAYMENT NO. 1, and BALANCING PAYMENT NO. 2, if INFINEON terminates this AGREEMENT pursuant to this Section 6.2, then any BALANCING PAYMENT, which had already been paid for the year during which such termination occurs, shall be subject to a pro rata refund. The amount of such refund shall be calculated by multiplying the amount of the applicable BALANCING PAYMENT by a fraction whose numerator is the number of calendar days remaining in the calendar year and whose denominator is 365. INFINEON shall pay such refund within thirty (30) calendar days after receipt of a proper invoice issued upon termination of this AGREEMENT pursuant to this Section 6.2. As an example, if this AGREEMENT is terminated after BALANCING PAYMENT NO. 4 is made and there are two hundred (200) calendar days remaining in the calendar year 2019, then INFINEON shall pay a refund of [***] to MAGNACHIP.”

shall be replaced by the following wording:

“Notwithstanding the foregoing, if INFINEON terminates this AGREEMENT pursuant to this Section 6.2, then any BALANCING PAYMENT, which had already been paid for the year during which such termination occurs, shall be subject to a pro rata refund. The amount of such refund shall be calculated by multiplying the amount of the applicable BALANCING PAYMENT by a fraction whose numerator is the number of calendar days remaining in the calendar year and whose denominator is 365. INFINEON shall pay such refund within thirty (30) calendar days after receipt of a proper invoice issued upon termination of this AGREEMENT pursuant to this Section 6.2. As an example, if this AGREEMENT is terminated after BALANCING PAYMENT NO. 4 is made and there are two hundred (200) calendar days remaining in the calendar year 2019, then INFINEON shall pay a refund of [***] to MAGNACHIP.”

12. Within Section 7.3 of the AGREEMENT INFINEON’s and MAGNACHIP’s addresses shall be updated as follows:

For INFINEON:
Senior Vice President Intellectual Property Infineon Technologies AG
[***]
Fax: [***]
Email: [***]

with a copy to
Infineon Technologies AG
Legal Department
[***]
Fax: [***]
E-mail: [***]

For MAGNACHIP:
General Counsel
Magnachip Semiconductor, Ltd.
[***]
Fax: [***]
Email: [***]

13. Another Annex shall be added to the AGREEMENT as ANNEX 2 and shall be considered as a substantial part of the AGREEMENT.
ANNEX 2 shall have the following contents:

[***]

14. Except as modified by this FIRST AMENDMENT, all other terms and conditions of the AGREEMENT shall remain in full force and effect.
15. Unless otherwise defined herein, all capitalized terms set forth herein shall have the same meanings attributed to such terms in the AGREEMENT.

IN WITNESS WHEREOF, the PARTIES hereto have caused this FIRST AMENDMENT to be executed by their respective duly authorized representatives:

Magnachip Semiconductor, Ltd.

Date: May 18, 2022

By: /s/ Theodore S. Kim

Name: Theodore S. Kim

Title: CCO & GC

By: /s/ Chan Ho Park

Name: Chan Ho Park

Title: GM of Power

Infineon Technologies AG

Date: May 20, 2022

By: /s/ [***]

Name: [***]

Title: SVP Intellectual Property

By: /s/ [***]

Name: [***]

Title: Senior Director – Corporate Legal Counsel

**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: November 8, 2022

/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: November 8, 2022

/s/ Shin Young Park

Shin Young Park

Chief Financial Officer

(Principal Financial Officer and Principal Accounting
Officer)

**CERTIFICATION OF CHIEF 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 September 30, 2022 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: November 8, 2022

/s/ Young-Joon Kim

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 CHIEF 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 September 30, 2022 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: November 8, 2022

/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.