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 June 30, 2015

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	**83-0406195**
(State or other jurisdiction of incorporation or organization)	**(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

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

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

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 August 1, 2015, the registrant had 34,565,717 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; in thousands of US dollars, except share data)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 72,672	$ 102,434
Accounts receivable, net	67,780	72,957
Inventories, net	71,800	75,334
Other receivables	5,450	10,616
Prepaid expenses	7,142	7,560
Current deferred income tax assets	43	237
Hedge collateral	6,380	—
Other current assets	7,383	6,898
Total current assets	238,650	276,036
Property, plant and equipment, net	208,351	223,766
Intangible assets, net	2,476	2,451
Long-term prepaid expenses	9,875	10,916
Deferred income tax assets	260	415
Other non-current assets	12,876	14,147
Total assets	$472,488	$ 527,731
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 57,432	$ 70,767
Other accounts payable	9,724	10,986
Accrued expenses	75,556	81,060
Other current liabilities	5,946	6,460
Total current liabilities	148,658	169,273
Long-term borrowings, net	224,095	224,035
Accrued severance benefits, net	143,727	139,289
Other non-current liabilities	10,703	13,636
Total liabilities	527,183	546,233
Commitments and Contingencies (Note 16)		
Stockholders' equity		
Common stock, $0.01 par value, 150,000,000 shares authorized, 40,840,685 shares issued and 34,261,920 outstanding at June 30, 2015 and 40,635,233 shares issued and 34,056,468 outstanding at December 31, 2014	408	406
Additional paid-in capital	121,602	118,419
Accumulated deficit	(61,998)	(11,343)
Treasury stock, 6,578,765 shares at June 30, 2015 and December 31, 2014	(90,918)	(90,918)
Accumulated other comprehensive loss	(23,789)	(35,066)
Total stockholders' equity (deficit)	(54,695)	(18,502)
Total liabilities and stockholders' equity	$472,488	$ 527,731

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

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MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands of US dollars, except share data)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$ 162,015	$ 172,070	$ 326,900	$ 336,234
Cost of sales	126,729	136,613	256,637	260,500
Gross profit	35,286	35,457	70,263	75,734
Operating expenses				
Selling, general and administrative expenses	28,588	30,746	53,618	55,773
Research and development expenses	21,931	24,059	44,091	47,196
Total operating expenses	50,519	54,805	97,709	102,969
Operating loss	(15,233)	(19,348)	(27,446)	(27,235)
Interest expense, net	(3,933)	(4,007)	(7,996)	(8,077)
Foreign currency gain (loss), net	(12,296)	38,424	(15,472)	29,018
Other income, net	234	597	790	1,158
Income (loss) before income taxes	(31,228)	15,666	(50,124)	(5,136)
Income tax expenses (benefits)	(602)	656	531	1,459
Net income (loss)	$ (30,626)	$ 15,010	$ (50,655)	$ (6,595)
Earnings (loss) per common share—				
Basic	$ (0.90)	$ 0.44	$ (1.49)	$ (0.19)
Diluted	$ (0.90)	$ 0.43	$ (1.49)	$ (0.19)
Weighted average number of shares—				
Basic	34,092,402	34,056,359	34,074,534	34,054,626
Diluted	34,092,402	35,177,915	34,074,534	34,054,626

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in thousands of US dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss)	$(30,626)	$ 15,010	$(50,655)	$ (6,595)
Other comprehensive income (loss)				
Foreign currency translation adjustments	10,123	(25,955)	13,179	(19,336)
Derivative adjustments				
Fair valuation of derivatives	(1,417)	8,002	(1,417)	6,201
Reclassification adjustment for gain on derivatives included in net income	—	(2,647)	(485)	(2,644)
Investment adjustments				
Unrealized gain on investments	—	925	—	1,201
Reclassification adjustment for gain on investments included in net income	—	(1,882)	—	(1,882)
Total other comprehensive income (loss)	8,706	(21,557)	11,277	(16,460)
Total comprehensive loss	$(21,920)	$ (6,547)	$(39,378)	$(23,055)

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 US dollars, except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated deficit)	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Six Months Ended June 30, 2015							
Balance at January 1, 2015	34,056,468	$ 406	$118,419	$ (11,343)	$(90,918)	$ (35,066)	$(18,502)
Stock-based compensation	—	—	1,977	—	—	—	1,977
Exercise of stock options	205,452	2	1,206	—	—	—	1,208
Other comprehensive income, net	—	—	—	—	—	11,277	11,277
Net loss	—	—	—	(50,655)	—	—	(50,655)
Balance at June 30, 2015	34,261,920	$ 408	$121,602	$ (61,998)	$(90,918)	$ (23,789)	$(54,695)
Six Months Ended June 30, 2014							
Balance at January 1, 2014	34,048,366	$ 406	$116,222	$ 105,889	$(90,918)	$ (50,058)	$ 81,541
Stock-based compensation	—	—	1,072	—	—	—	1,072
Exercise of stock options	6,795	—	48	—	—	—	48
Exercise of warrants	1,202	—	19	—	—	—	19
Other comprehensive loss, net	—	—	—	—	—	(16,460)	(16,460)
Net loss	—	—	—	(6,595)	—	—	(6,595)
Balance at June 30, 2014	34,056,363	$ 406	$117,361	$ 99,294	$(90,918)	$ (66,518)	$ 59,625

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

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MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands of US dollars)

	Six Months Ended	
	June 30, 2015	June 30, 2014
Cash flows from operating activities		
Net loss	$ (50,655)	$ (6,595)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	13,667	15,022
Provision for severance benefits	11,877	9,426
Bad debt expenses (reversal of allowance)	(3)	3,724
Amortization of debt issuance costs and original issue discount	324	301
Loss (gain) on foreign currency, net	17,146	(31,969)
Gain on disposal of investments	—	(1,524)
Stock-based compensation	1,977	1,072
Other	1,547	758
Changes in operating assets and liabilities		
Accounts receivable	3,145	6,712
Inventories, net	1,623	(11,537)
Other receivables	5,523	781
Other current assets	2,235	4,590
Deferred tax assets	339	391
Accounts payable	(12,431)	4,556
Other accounts payable	(5,550)	(8,560)
Accrued expenses	(10,710)	20,260
Other current liabilities	(2,058)	1,230
Other non-current liabilities	(1,084)	292
Payment of severance benefits	(4,231)	(3,490)
Other	(147)	13
Net cash provided by (used in) operating activities	(27,466)	5,453
Cash flows from investing activities		
Payment of hedge collateral	(6,555)	—
Proceeds from disposal of investments	—	2,003
Purchase of plant, property and equipment	(1,964)	(12,058)
Payment for intellectual property registration	(263)	(490)
Payment of guarantee deposits	(642)	(308)
Other	237	39
Net cash used in investing activities	(9,187)	(10,814)
Cash flows from financing activities		
Proceeds from issuance of common stock	1,208	67
Net cash provided by financing activities	1,208	67
Effect of exchange rates on cash and cash equivalents	5,683	(7,315)
Net decrease in cash and cash equivalents	(29,762)	(12,609)
Cash and cash equivalents		
Beginning of the period	102,434	153,606
End of the period	$ 72,672	$140,997
Supplemental cash flow information		
Cash paid for interest	$ 7,683	$ 7,354
Cash paid for income taxes	$ 388	$ 706
Non-cash investing activities		
Property, plant and equipment additions in other accounts payable	$ 1,493	$ 1,436

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

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Unaudited; 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 Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for consumer, computing, communication, industrial, automotive and Internet of Things ("IoT") applications. The Company provides technology platforms for analog, mixed signal, power, high voltage, non-volatile memory and Radio Frequency ("RF") applications. The Company's business is comprised of two operating segments: Semiconductor Manufacturing Services and Standard Products Group. The Company's Semiconductor Manufacturing Services provide specialty analog and mixed-signal foundry services mainly for fabless and Integrated Device Manufacturer ("IDM") semiconductor companies that primarily serve the consumer, computing, communication, industrial, automotive and IoT applications. The Company's Standard Products Group is comprised of two business lines: Display Solutions and Power Solutions. The Company's Display Solutions products provide flat panel display solutions to major suppliers of large and small flat panel displays. The Company's Power Solutions products include discrete and integrated circuit solutions for power management in consumer, communication and industrial applications.

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 ("US 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 ASC 270, *"Interim Reporting"* ("ASC 270") and, accordingly, do not include all of the information and note disclosures required by US GAAP for complete financial statements. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for a full year or for any other periods.

The December 31, 2014 balance sheet data was derived from the Company's audited financial statements, but does not include all disclosures required by US GAAP.

The segment disclosures reflect the Company's new operating segments. See Note 13, Geographic and Segment Information, for a more detailed discussion and explanation of the change.

Recent Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update. 2015-03, "Interest—Imputation of Interest" ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company is currently evaluating the impact of the adoption of ASU 2015-03 on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements — Going Concern" ("ASU 2014-15"), which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity will be required to provide certain disclosures if conditions of events raise substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on its consolidated financial statements.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 (the "Original Effective Date"), including interim periods within that reporting period, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application permitted as of the Original Effective Date. In July 2015, the FASB decided to delay the effective date of ASU 2014-09 by one year. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

2. Sales of Accounts Receivable and Receivable Discount Program

The Company has entered into an agreement to sell selected trade accounts receivable to a financial institution from time to time since March 2012. After the sale, the Company does not retain any interest in the receivables and the applicable financial institution collects these accounts receivable directly from the customer. The proceeds from the sales of these accounts receivable totaled $32,143 thousand and $5,712 thousand for the six months ended June 30, 2015 and 2014, respectively, and these sales resulted in pre-tax losses of $37 thousand and $17 thousand for the six months ended June 30, 2015 and 2014, respectively, which are included in selling, general and administrative expenses in the consolidated statements of operations. Net proceeds of this accounts receivable sale program are recognized in the consolidated statements of cash flows as part of operating cash flows.

The Company uses receivable discount programs with certain customers. While these discount arrangements allow the Company to accelerate collection of customers' receivables, there can be no assurance that these programs will continue in the future.

3. Inventories

Inventories as of June 30, 2015 and December 31, 2014 consist of the following:

	June 30, 2015	December 31, 2014
Finished goods	$ 36,602	$ 40,404
Semi-finished goods and work-in-process	55,428	68,153
Raw materials	8,195	7,520
Materials in-transit and other	2,936	6,745
Less: inventory reserve	(31,361)	(47,488)
Inventories, net	$ 71,800	$ 75,334

	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
	June 30, 2015		June 30, 2014	
Beginning balance	$ (41,818)	$ (47,488)	$ (70,265)	$ (72,400)
Change in reserve	(4,977)	(5,864)	(562)	(3,326)
Write off	14,912	21,240	8,839	12,760
Translation adjustments	522	751	(3,682)	(2,704)
Ending balance	$ (31,361)	$ (31,361)	$ (65,670)	$ (65,670)

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 and work-in-process. Write off of this reserve is recognized only when the related inventory has been disposed or scrapped.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

4. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2015 and December 31, 2014 comprise the following:

	June 30, 2015	December 31, 2014
Buildings and related structures	$ 69,589	$ 70,552
Machinery and equipment	264,669	269,031
Vehicles and others	24,782	24,812
	359,040	364,395
Less: accumulated depreciation	(167,031)	(157,341)
Land	16,342	16,712
Property, plant and equipment, net	$ 208,351	$ 223,766

Aggregate depreciation expenses totaled $13,502 thousand and $14,161 thousand for the six months ended June 30, 2015 and 2014, respectively.

5. Intangible Assets

Intangible assets as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Technology	$ 19,247	$ 19,683
Customer relationships	27,642	28,269
Intellectual property assets	8,357	8,359
Less: accumulated amortization	(52,770)	(53,860)
Intangible assets, net	$ 2,476	$ 2,451

Aggregate amortization expenses for intangible assets totaled $165 thousand and $861 thousand for the six months ended June 30, 2015 and 2014, respectively.

6. Accrued Expenses

Accrued expenses as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Payroll, benefits and related taxes, excluding severance benefits	$20,135	$ 18,654
Withholding tax levied on intercompany interest income	29,198	27,497
Interest on senior notes	6,874	7,040
Settlement obligations	6,031	8,976
Outside service fees	4,943	10,640
Others	8,375	8,253
Accrued expenses	$75,556	$ 81,060

Settlement obligations included in the table above relate to claims involving the Company’s products that may have caused a failure in the customers’ products. Although the Company does not agree with the claims, as its products met the customers’ specifications, the Company considered a number of factors and decided not to dispute the claims but make certain in-kind payments as demanded by the customers. These settlement obligations are accrued when they are deemed probable and can be reasonably estimated.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

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 derivative contracts as of June 30, 2015 are as follows:

Date of transaction	Type of derivative	Total notional amount	Month of settlement
May 11, 2015	Zero cost collar	$ 42,000	July to December 2015
May 27, 2015	Zero cost collar	$ 42,000	July to December 2015

The Company did not have any derivative contracts in effect as of December 31, 2014.

The zero cost collar contracts qualify as cash flow hedges under ASC 815, "*Derivatives and Hedging*," ("ASC 815"), 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 Company is utilizing the "hypothetical derivative" method to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the "hypothetical derivative."

The fair values of the Company's outstanding zero cost collar contracts recorded as liabilities as of June 30, 2015 and December 31, 2014 are as follows:

Derivatives designated as hedging instruments:		June 30, 2015	December 31, 2014
Liability Derivatives:			
Zero cost collars	Other current liabilities	$ 1,702	$ —

Offsetting of derivative liabilities as of June 30, 2015 is as follows:

As of June 30, 2015	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheets	Net amounts of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets: Financial instruments	Gross amounts not offset in the balance sheets: Cash collateral pledged	Net amount
Liability Derivatives:						
Zero cost collars	$ 1,702	$ —	$ 1,702	$ —	$ (1,380)	$ 322

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is 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 ineffectiveness, are recognized in current earnings.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

The following table summarizes the impact of derivative instruments on the consolidated statement of operations for the three months ended June 30, 2015 and 2014:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) Three Months Ended June 30, 2015	2014	Location of Gain Reclassified from AOCI into Statement of Operations (Effective Portion)	Amount of Gain Reclassified from AOCI into Statement of Operations (Effective Portion) Three Months Ended June 30, 2015	2014	Location of Loss Recognized in Statement of Operations on Derivative (Ineffective Portion)	Amount of Loss Recognized in Statement of Operations on Derivatives (Ineffective Portion) Three Months Ended June 30, 2015	2014
Zero cost collars	$ (1,417)	$ 8,002	Net sales	$ —	$ 2,647	Other income, net	$ (306)	$ (36)
Total	$ (1,417)	$ 8,002		$ —	$ 2,647		$ (306)	$ (36)

The following table summarizes the impact of derivative instruments on the consolidated statement of operations for the six months ended June 30, 2015 and 2014:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) Six Months Ended June 30, 2015	2014	Location of Gain Reclassified from AOCI into Statement of Operations (Effective Portion)	Amount of Gain Reclassified from AOCI into Statement of Operations (Effective Portion) Six Months Ended June 30, 2015	2014	Location of Loss Recognized in Statement of Operations on Derivative (Ineffective Portion)	Amount of Loss Recognized in Statement of Operations on Derivatives (Ineffective Portion) Six Months Ended June 30, 2015	2014
Zero cost collars	$(1,417)	$6,201	Net sales	$ 485	$ 2,644	Other income, net	$ (306)	$ (52)
Total	$(1,417)	$6,201		$ 485	$ 2,644		$ (306)	$ (52)

As of June 30, 2015, the amount expected to be reclassified from accumulated other comprehensive income into loss within the next twelve months is $1,417 thousand.

The Company set aside $5.0 million cash deposits to a financial institution, the counterparty to the zero cost collar contracts outstanding as of June 30, 2015. The Company is required to deposit cash collateral with the counterparty for any exposure in excess of $0.5 million and $1.4 million of cash collateral was required as of June 30, 2015. The Company recorded the cash deposits and cash collateral totaling $6.4 million as hedge collateral in the consolidated balance sheet as of June 30, 2015. These outstanding zero cost collar contracts are subject to termination if the sum of qualified and unrestricted cash and cash equivalents held by the Company is less than $30 million on the last day of a fiscal quarter.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

8. Fair Value Measurements

The Company's financial liabilities measured at fair value on a recurring basis as of June 30, 2015, and the basis for that measurement is as follows:

	Carrying Value	Fair Value Measurement	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:					
Derivative liabilities (other current liabilities)	$ 1,702	$ 1,702	$ —	$ 1,702	$ —

The Company did not have any assets measured at fair value on a recurring basis as of June 30, 2015 other than cash and cash equivalents, accounts receivable, other receivables, hedge collateral, 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, with the exception of cash (Level 1).

As of June 30, 2015, the total carrying value and estimated fair value of the Company's 6.625% Senior Notes due 2021 (the "2021 Notes"), which are not measured at fair value on a recurring basis, were $224,095 thousand and $180,563 thousand, respectively. The decrease in the fair value of the 2021 Notes from December 31, 2014 to June 30, 2015 was related to the revision of the Company's credit rating in the first quarter of 2015. The estimated fair value is based on Level 2 inputs.

9. Long-Term Borrowings

Long-term borrowings as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
6.625% senior notes due July 2021	$225,000	$ 225,000
Discount on senior notes	(905)	(965)
Long-term borrowings, net of unamortized discount	$224,095	$ 224,035

On July 18, 2013, the Company issued $225,000,000 aggregate principal amount of the 2021 Notes at a price of 99.5%. Interest on the 2021 Notes accrues at a rate of 6.625% per annum, payable semi-annually on January 15 and July 15 of each year, beginning on January 15, 2014.

In connection with the issuance of the 2021 Notes, the Company capitalized certain costs and fees, which are being amortized using the effective interest method over its respective term, 2013 to 2021. Amortization costs, which were included in interest expense in the accompanying statements of operations, amounted to $133 thousand and $265 thousand for the three and six months ended June 30, 2015, respectively. The remaining capitalized costs as of June 30, 2015, which were included in other non-current assets in the consolidated balance sheet, were $4,055 thousand.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

The Company can optionally redeem all or a part of the 2021 Notes according to the following schedule: (i) at any time prior to July 15, 2016, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2021 Notes issued under that certain Indenture, dated as of July 18, 2013, by and between the Company and Wilmington Trust, National Association, as trustee (the "Trustee"), as supplemented by that certain First Supplemental Indenture, dated as of March 27, 2014 (collectively, the "Indenture") at a redemption price equal to 106.625% of the principal amount of the 2021 Notes redeemed, plus accrued and unpaid interest and special interest, if any, to the date of redemption with the net proceeds of a qualified equity offering; (ii) at any time prior to July 15, 2017, the Company may on any one or more occasions redeem all or a part of the 2021 Notes at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest and special interest, if any, to the date of redemption; and (iii) on or after July 15, 2017, the Company may on any one or more occasions redeem all or a part of the 2021 Notes, at a redemption price equal to 103.313%, 101.656% and 100% of the principal amount of the notes redeemed in 2017, 2018 and 2019 and thereafter, respectively, plus accrued and unpaid interest and special interest, if any, on the notes redeemed, to the applicable date of redemption.

The Indenture contains covenants that limit ability of the Company and its restricted subsidiaries to: (i) declare or pay any dividend or make any payment or distribution on account of or purchase or redeem the Company's capital stock or equity interests of the restricted subsidiaries; (ii) make any principal payment on, or redeem or repurchase, prior to any scheduled repayment or maturity, any subordinated indebtedness; (iii) make certain investments; (iv) incur additional indebtedness and issue certain types of capital stock; (v) create or incur any lien (except for permitted liens) that secures obligations under any indebtedness; (vi) merge with or into or sell all or substantially all of the Company's assets to other companies; (vii) enter into certain types of transactions with affiliates; (viii) guarantee the payment of any indebtedness; (ix) enter into sale-leaseback transactions; (x) enter into agreements that would restrict the ability of the restricted subsidiaries to make distributions with respect to their equity to the Company or other restricted subsidiaries, to make loans to the Company or other restricted subsidiaries or to transfer assets to the Company or other restricted subsidiaries; and (xi) designate unrestricted subsidiaries.

These covenants are subject to a number of exceptions and qualifications. Certain of these restrictive covenants will terminate if the notes are rated investment grade at any time.

As disclosed in the Company's Form 8-K filed on June 25, 2014, the Company received a notice of default on June 20, 2014 (the "10-K and Q1 10-Q Notice of Default") from the Trustee under the Indenture. The 10-K and Q1 10-Q Notice of Default related to the failure by the Company, pursuant to Section 4.03 of the Indenture, to file with the Securities and Exchange Commission ("SEC") its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 (the "Initial Reporting Defaults"). The Company did not cure the Initial Reporting Defaults within the applicable 60-day grace period and the Initial Reporting Defaults ripened into Events of Default. The Company elected, as the sole and exclusive remedy for the Events of Default, to pay additional interest on the 2021 Notes at a rate equal to 0.25% per annum of the principal amount of the 2021 Notes (the "Additional Interest") for a period of up to 180 days following the occurrence of the Events of Default (the "Additional Interest Period").

On August 20, 2014, the Company received a notice of default related to its failure to file its Form 10-Q for the fiscal quarter ended June 30, 2014 (the "Q2 10-Q Notice of Default"), and on November 19, 2014, the Company received a notice of default related to its failure to file its Form 10-Q for the fiscal quarter ended September 30, 2014 (the "Q3 10-Q Notice of Default"). These defaults also ripened into Events of Default and on December 29, 2014 and January 15, 2015, respectively, the Company elected to extend the Additional Interest Period for up to 180 days following each additional Event of Default.

Upon the filing with the SEC of the 2013 Form 10-K and the Form 10-Qs for each of the fiscal quarters ended March 31, 2014, June 30, 2014 and September 31, 2014, the Company regained compliance with its reporting obligations under the Indenture and cured all identified covenant defaults in each of the 10-K and the Q1 10-Q Notice of Default, the Q2 10-Q Notice of Default and the Q3 10-Q Notice of Default, and ceased accruing the Additional Interest on the 2021 Notes as of February 12, 2015.

As disclosed in the Company's Form 8-K filed on May 4, 2015, the Company received a notice of default on May 1, 2015 (the "10-K Notice of Default") from the Trustee under the Indenture. The 10-K Notice of Default related to the failure by the Company, pursuant to Section 4.03 of the Indenture, to file with the SEC its Annual Report on Form 10-K for the fiscal year ended December 31, 2014. The Company cured the default referenced in the 10-K Notice of Default within the applicable 60-day grace period under the Indenture by filing the 2014 Form 10-K with the SEC on May 28, 2015.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

10. Accrued Severance Benefits

The majority of accrued severance benefits is 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 June 30, 2015, 98% of employees of the Company were eligible for severance benefits.

Changes in accrued severance benefits are as follows:

	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
	June 30, 2015		June 30, 2014	
Beginning balance	$145,598	$140,405	$136,176	$135,356
Provisions	4,617	11,877	5,392	9,426
Severance payments	(2,890)	(4,231)	(1,976)	(3,490)
Translation adjustments	(2,525)	(3,251)	7,331	5,631
	144,800	144,800	146,923	146,923
Less: Cumulative contributions to the National Pension Fund	(333)	(333)	(387)	(387)
Group severance insurance plan	(740)	(740)	(825)	(825)
Accrued severance benefits, net	$143,727	$143,727	$145,711	$145,711

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.

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

	Severance benefit
Remainder of 2015	$ 288
2016	1,104
2017	1,680
2018	2,853
2019	2,226
2020	2,887
2021 – 2025	30,280

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.

11. Foreign Currency Gain (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 June 30, 2015, the outstanding intercompany loan balance including accrued interests between the Korean subsidiary and the Dutch subsidiary was $766 million. The Korean won to U.S. dollar exchange rates were 1,124.1:1 and 1,099.2:1 using the first base rate as of June 30, 2015 and December 31, 2014, respectively, as quoted by the Korea Exchange Bank.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

12. Income Taxes

The Company files income tax returns in the U.S., Korea, Japan, Taiwan and various other jurisdictions.

The Company's Korean subsidiary is the principal operating entity within the consolidated Company. For the three months ended June 30, 2015 and 2014, no income tax expense for the Korean subsidiary was recorded due to net operating loss carry-forwards available to offset taxable income and full allowance for deferred tax assets.

Income tax expense (benefit) recorded for the three months ended June 30, 2015 and 2014 was $(602) thousand and $656 thousand, respectively, and for the six months ended June 30, 2015 and 2014 was $531 thousand and $1,459 thousand, respectively, primarily attributable to withholding taxes related to intercompany balances and benefits from the lapse of statute of limitations on unrecognized tax benefits.

13. Geographic and Segment Information

The Company previously reported its results of operations under one operating segment. During the second quarter of 2015, organizational changes were made to (i) realign the Company's businesses and organizational structure and (ii) streamline and consolidate certain business processes to achieve greater operating efficiencies. In furtherance of these objectives, the Company combined its business lines of Display Solutions and Power Solutions into a new segment called Standard Products Group. Beginning in the second quarter of 2015, the Company reports its financial results in two operating segments: Semiconductor Manufacturing Services and Standard Products Group. The Company's chief operating decision maker is its Chief Executive Officer who allocates resources and assesses performance of the business and other activities based on gross profit. The two newly established operating segments will be managed prospectively and all prior period amounts related to the segment change have been retrospectively reclassified to conform to the new presentation.

The following sets forth information relating to the operating segments:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net Sales				
Semiconductor Manufacturing Services	$ 78,962	$ 90,339	$153,482	$182,267
Standard Products Group				
Display Solutions	48,918	45,327	105,271	85,706
Power Solutions	33,995	36,275	67,832	68,050
Total Standard Products Group	82,913	81,602	173,103	153,756
All other	140	129	315	211
Total net sales	$162,015	$172,070	$326,900	$336,234

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gross Profit				
Semiconductor Manufacturing Services	$ 17,183	$ 18,601	$ 32,560	$ 40,723
Standard Products Group	17,963	16,727	37,388	34,801
All other	140	129	315	210
Total gross profit	$ 35,286	$ 35,457	$ 70,263	$ 75,734

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

The following is a summary of net sales by region, based on the location of the customer:

	Three Months Ended	
	June 30, 2015	June 30, 2014
Korea	$ 61,755	$ 67,320
Asia Pacific (other than Korea)	75,582	74,337
U.S.A.	20,310	24,596
Europe	3,708	5,601
Others	660	216
Total	$162,015	$172,070

	Six Months Ended	
	June 30, 2015	June 30, 2014
Korea	$124,225	$134,333
Asia Pacific (other than Korea)	154,759	144,558
U.S.A.	39,680	44,349
Europe	7,361	12,494
Others	875	500
Total	$326,900	$336,234

Net sales from the Company's top ten largest customers accounted for 65% and 59% for the three months ended June 30, 2015 and 2014, respectively, and 66% and 57% for the six months ended June 30, 2015 and 2014, respectively.

For the three months ended June 30, 2015, the Company had two customers that represented 14.8% and 10.8% of its net sales, respectively, and for the six months ended June 30, 2015, the Company had three customers that represented 15.1%, 11.3% and 10.1% of its net sales, respectively.

For the three months ended June 30, 2014, we had one customer which represented 10.5% of the Company's net sales, and for the six months ended June 30, 2014, we had no customer which represented over 10% of the Company's net sales.

96% of the Company's property, plant and equipment are located in Korea as of June 30, 2015.

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

14. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following as of June 30, 2015 and December 31, 2014, respectively:

	June 30, 2015	December 31, 2014
Foreign currency translation adjustments	$(22,372)	$ (35,551)
Derivative adjustments	(1,417)	485
Total	$(23,789)	$ (35,066)

Changes in accumulated other comprehensive loss for the three months ended June 30, 2015 and 2014 are as follows:

Three Months Ended June 30, 2015	Foreign currency translation adjustments	Derivative adjustments	Unrealized gain on investments	Total
Beginning balance	$ (32,495)	$ —	$ —	$(32,495)
Other comprehensive income (loss) before reclassifications	10,123	(1,417)	—	8,706
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Net current-period other comprehensive income (loss)	10,123	(1,417)	—	8,706
Ending balance	$ (22,372)	$ (1,417)	$ —	$(23,789)

Three Months Ended June 30, 2014	Foreign currency translation adjustments	Derivative adjustments	Unrealized gain on investments	Total
Beginning balance	$ (50,707)	$ 4,789	$ 957	$(44,961)
Other comprehensive income (loss) before reclassifications	(25,955)	8,002	925	(17,028)
Amounts reclassified from accumulated other comprehensive income	—	(2,647)	(1,882)	(4,529)
Net current-period other comprehensive income (loss)	(25,955)	5,355	(957)	(21,557)
Ending balance	$ (76,662)	$ 10,144	$ —	$(66,518)

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

Changes in accumulated other comprehensive loss for the six months ended June 30, 2015 and 2014 are as follows:

Six Months Ended June 30, 2015	Foreign currency translation adjustments	Derivative adjustments	Unrealized gain on investments	Total
Beginning balance	$ (35,551)	$ 485	$ —	$(35,066)
Other comprehensive income (loss) before reclassifications	13,179	(1,417)	—	11,762
Amounts reclassified from accumulated other comprehensive income	—	(485)	—	(485)
Net current-period other comprehensive income (loss)	13,179	(1,902)	—	11,277
Ending balance	$ (22,372)	$ (1,417)	$ —	$(23,789)

Six Months Ended June 30, 2014	Foreign currency translation adjustments	Derivative adjustments	Unrealized gain on investments	Total
Beginning balance	$ (57,326)	$ 6,587	$ 681	$(50,058)
Other comprehensive income (loss) before reclassifications	(19,336)	6,201	1,201	(11,934)
Amounts reclassified from accumulated other comprehensive income	—	(2,644)	(1,882)	(4,526)
Net current-period other comprehensive income (loss)	(19,336)	3,557	(681)	(16,460)
Ending balance	$ (76,662)	$ 10,144	$ —	$(66,518)

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

15. Earnings (Loss) per Share

The following table illustrates the computation of basic and diluted earnings (loss) per common share:

	Three Months Ended	
	June 30, 2015	June 30, 2014
Net income (loss)	$ (30,626)	$ 15,010
Weighted average common stock outstanding		
Basic	34,092,402	34,056,359
Diluted	34,092,402	35,177,915
Earnings (loss) per share		
Basic	$ (0.90)	$ 0.44
Diluted	$ (0.90)	$ 0.43

	Six Months Ended	
	June 30, 2015	June 30, 2014
Net loss	$ (50,655)	$ (6,595)
Weighted average common stock outstanding		
Basic	34,074,534	34,054,626
Diluted	34,074,534	34,054,626
Loss per share		
Basic	$ (1.49)	$ (0.19)
Diluted	$ (1.49)	$ (0.19)

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Options	3,341,700	880,267	3,341,700	3,166,145
Warrants	—	1,425,129	—	1,425,129
Restricted Stock Units	129,962	—	129,962	—

Rights Plan

On March 5, 2015, 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 March 16, 2015. Each Right, once exercisable, will entitle the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, at a purchase price of $24, 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 10% (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 ("the Exchange Act")) 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 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 March 5, 2016, unless redeemed or exchanged prior to that time.

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, (i) 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 (ii) the Company or one or more of its subsidiaries sells or otherwise transfers 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 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. Commitments and Contingencies

Securities Class Action Complaints

On March 12, 2014, a purported class action was filed against the Company and certain of the Company's now-former officers. On April 21, 2015, a related purported class action lawsuit was filed against the Company, certain of the Company's current directors and former and now-former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings. On June 15, 2015, these two class action lawsuits were consolidated. On June 26, 2015, an amended complaint was filed in the consolidated action, against the Company, certain of the Company's current directors and former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings on behalf of a putative class consisting of all persons other than the defendants who purchased or acquired the Company's securities between February 1, 2012 and February 12, 2015 and a putative subclass consisting of all purchasers of the Company's common stock pursuant to or traceable to a shelf registration statement and prospectus issued in connection with the Company's February 6, 2013 public stock offering. The consolidated amended complaint asserts claims on behalf of the putative class for (i) alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by the Company and certain of the Company's current directors and former officers, (ii) alleged violations of Section 20(a) of the Exchange Act by certain of the Company's current directors and former officers, and (iii) alleged violations of Sections 20(a) and 20(A) of the Exchange Act by a shareholder. The consolidated amended complaint also asserts claims on behalf the subclass for (i) alleged violations of Section 11 of the Securities Act of 1933 (the "Securities Act") by the Company, certain of the Company's current directors and former officers, and certain financial firms that acted as underwriters of the Company's public stock offerings, (ii) alleged violations of Section 12 of the Securities Act by the Company, certain of the Company's current directors and former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings, (iii) alleged violations of Section 15 of the Securities Act by

MagnaChip Semiconductor Corporation and Subsidiaries

Notes to Consolidated Financial Statements – (Continued)
(Unaudited; tabular dollars in thousands, except share data)

the Company, certain of the Company's former officers, and a shareholder of the Company. The consolidated action, *Thomas et al., v. MagnaChip Semiconductor Corp., et al.*, No. 3:14-cv-1160, is pending in the Northern District of California. At this time, the Company is unable to estimate any reasonably possible loss, or range of reasonably possible losses, with respect to the matters described above.

SEC Enforcement Staff Review

In March 2014, the Company voluntarily reported to the SEC that the Company's Audit Committee (the "Audit Committee") had determined that the Company incorrectly recognized revenue on certain transactions and as a result would restate its financial statements, and that the Audit Committee had commenced the Independent Investigation. Over the course of 2014 and the first two quarters of 2015, the Company voluntarily produced documents to the SEC regarding the various accounting issues identified during the Independent Investigation, and whether the Company's hiring of an accountant from the Company's independent registered public accounting firm impacted that accounting firm's independence. On July 22, 2014, the Staff of the SEC's Division of Enforcement obtained a Formal Order of Investigation. On March 12, 2015, the SEC issued a subpoena for documents to the Company in connection with its investigation. The Company will continue to cooperate with the SEC in this investigation. At this time, the Company is unable to estimate any reasonably possible loss, or range of reasonably possible losses, with respect to the matters described above.

Shareholder Derivative Complaints

A shareholder derivative action, styled *Hemmingson et al. v. Elkins et al.*, Case No. 1-15-cv-278614, was filed in the Superior Court of the State of California in and for Santa Clara County on March 25, 2015, naming as defendants certain of the Company's current directors and former and now-former officers, as well as a shareholder of the Company, and naming the Company as a nominal defendant. The complaint in this action asserts claims for (i) alleged breaches of fiduciary duty by certain of the Company's current directors and former and now-former officers for purportedly knowingly failing to maintain adequate internal controls over its accounting and reporting functions and disseminating to stockholders certain alleged materially false and misleading statements, (ii) alleged breaches of fiduciary duty by certain of the Company's current directors and a current shareholder of the Company for purported insider trading, and (iii) alleged unjust enrichment by a shareholder of the Company for purported insider trading. On May 13, 2015, the court so ordered a stipulation entered into by certain of the parties, agreeing to stay the litigation until *Thomas et al., v. MagnaChip Semiconductor Corp., et al.*, No. 3:14-cv-1160 and *Okla. Police Pension & Retirement Sys. v. MagnaChip Semiconductor Corp., et al.*, No. 3:15-cv-01797 are resolved, unless the stay is lifted earlier.

On June 1, 2015, a shareholder derivative action as styled as *Bushansky v. Norby, et al.*, No. 1-15-cv-281289, was filed in the Superior Court of the State of California, Santa Clara County. The complaint names as defendants certain of the Company's current directors and former officers, and a shareholder of the Company, with the Company being named as a nominal defendant. The complaint asserts claims for (i) alleged breaches of fiduciary duties by certain of the Company's current directors and former officers for knowingly failing to maintain adequate internal controls over the Company's accounting and reporting functions and disseminating to shareholders certain alleged materially false and misleading statements; and (ii) alleged aiding and abetting of such breaches of fiduciary duties by all defendants. At this time, the Company is unable to estimate any reasonably possible loss, or range of reasonably possible losses, with respect to the matters described above.

In addition, by letter dated May 28, 2015, a purported shareholder demanded to inspect certain of the Company's books and records, pursuant to Section 220 of the General Corporation Law of the State of Delaware (8 Del. C. § 220). The demand's stated purpose is to investigate alleged breaches of fiduciary duty by certain of the Company's current and former directors, officers, and senior management and otherwise evaluate whether to initiate a derivative action on the Company's behalf.

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FORWARD LOOKING STATEMENTS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, 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 and in "Part I: Item 1A. Risk Factors" in our annual report on Form 10-K for the fiscal year ended December 31, 2014.

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 Quarterly Report on Form 10-Q (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. This discussion and analysis contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this Report.

Overview

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for consumer, computing, communication, industrial, automotive and IoT applications. We provide technology platforms for analog, mixed-signal, power, high voltage, non-volatile memory, and RF applications. We have a proven record with a 30-year operating history, large portfolio of 2,669 registered novel patents and 159 pending novel patent applications and extensive engineering and manufacturing process expertise.

We previously reported our results of operations under one operating segment. During the second quarter of 2015, organizational changes were made to (i) realign our businesses and organizational structure and (ii) streamline and consolidate certain business processes to achieve greater operating efficiencies. In furtherance of these objectives, we combined our business lines of Display Solutions and Power Solutions into a new segment called Standard Products Group. Beginning in the second quarter of 2015, we report our financial results in two operating segments: Semiconductor Manufacturing Services and Standard Products Group. Our chief operating decision maker is our Chief Executive Officer who allocates resources and assesses performance of the business and other activities based on gross profit. The two newly established operating segments will be managed prospectively and have no effect on our historical consolidated results of operations. All prior period amounts related to the segment change have been retrospectively reclassified to conform to the new presentation.

Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services mainly for fabless and IDM semiconductor companies that primarily serve consumer, computing, communication, industrial, automotive and IoT applications. Our Standard Products Group includes our Display Solutions and Power Solutions business lines. Our Display Solutions products provide flat panel display solutions to major suppliers of large and small flat panel displays and include our sensor products for mobile applications and industrial applications. Our Power Solutions products include discrete and integrated circuit solutions for power management in consumer, computing, communication and industrial applications.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our mature technology platform allow us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our design center and substantial manufacturing operations 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.

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 balance the likely manufacturing utilization demand of our product businesses and foundry business to optimize our capacity utilization. We must also invest in relevant research and development activities and manufacturing capacity and purchase necessary materials on a timely basis to meet our customers' demand while maintaining our target margins and cash flow.

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

Demand for our products and services is driven by overall demand for consumer, communication and computing products and can be adversely affected by periods of weak consumer and enterprise spending or by market share losses by our customers. In order to mitigate the impact of market volatility on our business, we are diversifying 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 Korea-based operations, if we are not effective in competing in these markets our operating results may be adversely affected.

Within our Semiconductor Manufacturing Services, net sales are driven by customers' decisions on which manufacturing services provider to use for a particular product. Most of our Semiconductor Manufacturing Services customers are fabless, while some are IDM customers. A customer will often have more than one supplier of manufacturing services. In any given period, our net sales depend heavily upon the end-market demand for the goods in which the products we manufacture for customers are used, the inventory levels maintained by our customers and in some cases, allocation of demand for manufacturing services among selected qualified suppliers.

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

Our products and services require investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. These processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. Additionally, the performance of many of our products is not necessarily dependent on geometry. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. Generally, incremental capacity expansions in our business of the market result in more moderate industry capacity expansion as compared to leading edge processes. As a result, this market, and we, specifically, are less likely to experience significant industry overcapacity, which can cause product prices to 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. We believe this capital investment strategy enables us to optimize our capital investments and facilitates deeper and more diversified product and service offerings.

Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a significant change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers enhance our awareness of new product opportunities, market and technology trends and improve our ability to adapt and grow successfully. In our Semiconductor Manufacturing Services, we strive to maintain competitiveness by offering high-value added processes, high-flexibility and excellent service by tailoring existing standard processes to meet customers' design needs and porting customers' own process technologies into our fabrication facilities.

Restatement

In January 2014, our Audit Committee commenced an internal investigation that resulted in the restatement of certain financial statements for prior periods (the "Restatement"). As a result of the Restatement, we have incurred substantial external accounting, legal and other related costs associated with the Restatement and certain litigation and other regulatory investigations and actions related thereto. We incurred Restatement related costs of $12.0 million for the six months ended June 30, 2015, compared to $13.3 million in the six months ended June 30, 2014. We expect to continue to incur substantial Restatement related costs for the remainder of 2015 related to ongoing litigation and regulatory investigations, which could have a material adverse effect on our operating results and liquidity for the foreseeable future.

Segments

We previously reported our results of operations under one operating segment. During the second quarter of 2015, organizational changes were made to (i) realign our businesses and organizational structure and (ii) streamline and consolidate certain business processes to achieve greater operating efficiencies. Accordingly, we combined our business lines of Display Solutions and Power Solutions into a new segment called Standard Products Group. Beginning in the second quarter of 2015, we report our financial results in two operating segments: Semiconductor Manufacturing Services and Standard Products Group. We have identified these segments based on how we allocate resources and assess our performance.

- ***Semiconductor Manufacturing Services:*** Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services to fabless semiconductor companies and IDMs that serve consumer, computing, communication, industrial, automotive and IoT applications. We manufacture wafers based on our customers' product designs. We do not market these products directly to end customers but rather supply manufactured wafers and products to our customers to market to their end customers. We offer approximately 479 process flows to our manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise. Our manufacturing services are targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage complementary metal-oxide-semiconductor (CMOS), embedded memory or bipolar-CMOS-DMOS (BCD). These customers typically serve the consumer, computing, communication, industrial, automotive and IoT applications. Our Semiconductor Manufacturing Services business represented 47.0% and 54.2% of our net sales for the six months ended June 30, 2015 and June 30, 2014, respectively. Gross profit from our Semiconductor Manufacturing Services business was $32.6 million and $40.7 million for the six months ended June 30, 2015 and June 30, 2014, respectively.

- ***Standard Products Group:*** Our Standard Products Group includes our Display Solutions and Power Solutions business lines. Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in ultra high definition (UHD), high definition (HD), light emitting diode (LED), 3D and OLED televisions and displays, notebooks and mobile communications and entertainment devices. Our Display Solutions support the industry's most advanced display technologies, such as active matrix organic light emitting diodes (AMOLEDs), and low temperature polysilicons (LTPS), as well as high-volume display technologies such as thin film transistors (TFT). We provide a full range of intelligent sensor product families featuring 0.18 micron analog and mixed-signal technology with low power consumption. Our sensor families target the growing market for applications ranging from smartphone, tablet PC and other consumer electronics to industrial devices. Our Power Solutions business line produces power management semiconductor products including discrete and integrated circuit solutions for power management in high-volume consumer applications. These products include MOSFETs, insulated-gate bipolar transistors (IGBTs), power modules, AC-DC converters, DC-DC converters, LED drivers, switching regulators and linear regulators for a range of devices, including televisions, smartphones, mobile phones, desktop PCs, notebooks, tablet PCs, other consumer electronics, and industrial applications such as power suppliers, LED lighting, motor control and home appliances. Our Standard Products Group, which includes our Display Solutions and Power Solutions business lines, represented 53.0% and 45.7% of our net sales for the six months ended June 30, 2015 and June 30, 2014, respectively. Gross profit from our Standard Products Group was $37.4 million and $34.8 million for the six months ended June 30, 2015 and June 30, 2014, respectively.

Explanation and Reconciliation of Non-US GAAP Measures

Adjusted EBITDA and Adjusted Net Income

We use the terms Adjusted EBITDA and Adjusted Net Income throughout this Report. Adjusted EBITDA, as we define it, is a non-US GAAP measure. We define Adjusted EBITDA for the periods indicated as net income (loss), adjusted to exclude (i) depreciation and amortization, (ii) interest expense, net, (iii) income tax expenses (benefits), (iv) equity-based compensation expense, (v) foreign currency loss (gain), net, (vi) derivative valuation loss, net and (vii) restatement related expenses.

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

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring items that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- our investor and analyst presentations will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to that of other companies in our industry.

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

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our Board of Directors concerning our consolidated financial performance; and
- in certain of our compensation plans as a performance measure for determining incentive compensation payments.

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 US GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with US GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	(In millions)			
Net income (loss)	$ (30.6)	$ (50.7)	$ 15.0	$ (6.6)
Adjustments:				
Depreciation and amortization	6.8	13.7	7.8	15.1
Interest expense, net	3.9	8.0	4.0	8.1
Income tax expenses (benefits)	(0.6)	0.5	0.7	1.5
Equity-based compensation expense(a)	1.8	2.0	0.5	1.1
Foreign currency loss (gain), net(b)	12.3	15.5	(38.4)	(29.0)
Derivative valuation loss, net(c)	0.3	0.3	—	—
Restatement related expenses(d)	5.2	11.4	8.5	13.3
Adjusted EBITDA	$ (0.9)	$ 0.7	$ (2.0)	$ 3.4

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

(c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in 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) This adjustment eliminates expenses incurred in connection with the Audit Committee's independent investigation and related restatement and litigation, primarily comprised of legal and consulting fees. Partially offsetting the restatement related expenses was proceeds from an insurance claim for defense costs. This amount does not include any allocation of internal costs related to the restatement.

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 US GAAP. Some of these limitations are:

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

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

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

- we use Adjusted Net Income in communications with our Board of Directors concerning our consolidated financial performance;
- we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and
- our investor and analyst presentations may include Adjusted Net Income.

Adjusted Net Income is not a measure defined in accordance with US GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with US GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income for the periods indicated as net income (loss), adjusted to exclude (i) amortization of intangibles, (ii) equity-based compensation expense, (iii) foreign currency loss (gain), net, (iv) derivative valuation loss, net and (v) restatement related expenses.

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

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	(In millions)			
Net income (loss)	$ (30.6)	$ (50.7)	$ 15.0	$ (6.6)
Adjustments:				
Amortization of intangibles(a)	—	—	0.4	0.7
Equity-based compensation expense(b)	1.8	2.0	0.5	1.1
Foreign currency loss (gain), net(c)	12.3	15.5	(38.4)	(29.0)
Derivative valuation loss, net(d)	0.3	0.3	—	—
Restatement related expenses(e)	5.2	11.4	8.5	13.3
Adjusted Net Loss	$ (11.1)	$ (21.5)	$ (14.1)	$ (20.5)

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

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

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

(d) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in 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.

(e) This adjustment eliminates expenses incurred in connection with the Audit Committee's independent investigation and related restatement and litigation, primarily comprised of legal and consulting fees. Partially offsetting the restatement related expenses was proceeds from an insurance claim for defense costs. This amount does not include any allocation of internal costs related to the restatement.

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 US GAAP. Some of these limitations are:

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

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

Factors Affecting Our Results of Operations

Net Sales. We derive virtually all of our sales (net of sales returns and allowances) from two segments: Semiconductor Manufacturing Services and Standard Products Group. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales and technical support offices near concentrations of major customers. Our sales offices are located in Korea, the United States, Japan and Greater China. Our network of authorized agents and distributors consists of agents in the United States and Europe and distributors and agents in the Asia Pacific region. Our net sales from All other consist principally of the disposal of waste materials.

We recognize revenue when risk and reward of ownership pass to the customer either upon shipment, upon product delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the six months ended June 30, 2015 and 2014, we sold products to 268 and 258 customers, respectively, and our net sales to our ten largest customers represented 66% and 57% of our net sales, respectively. We have a combined production capacity of over 125,000 eight-inch equivalent semiconductor wafers per month. We believe our large-scale, cost-effective fabrication facilities enable us to rapidly adjust our production levels to meet shifts in demand by our end customers.

Gross Profit. Our overall gross profit generally fluctuates as a result of changes in overall sales volumes and in the average selling prices of our products and services. Other factors that influence our gross profit include changes in product mix, the introduction of new products and services and subsequent generations of existing products and services, shifts in the utilization of our manufacturing facilities and the yields achieved by our manufacturing operations, changes in material, labor and other manufacturing costs 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 cost of material consists of costs of raw materials, such as silicon wafers, chemicals, gases and tape, packaging supplies, equipment maintenance and depreciation expenses. We use processes that require specialized raw materials, such as silicon wafers, that are generally available from a limited number of suppliers. If demand increases or supplies decrease, the costs of our raw materials could significantly increase.

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of June 30, 2015, approximately 98% 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 are for process development that serves as a common technology platform for all of our product lines.

Interest Expense, Net. Our interest expense was incurred primarily under the 2021 Notes.

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars 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 (loss) 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 June 30, 2015, the outstanding intercompany loan balance including accrued interest between the Korean subsidiary and the Dutch subsidiary was $766 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 forward and 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 forward and zero cost collar contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These forward and zero cost collar contracts may be terminated by the counterparty in a number of circumstances, including if our total cash and cash equivalents is less than $30.0 million at the end of a fiscal quarter unless a waiver is obtained from the counterparty. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations.

Foreign Currency Gain or Loss. Foreign currency translation gains or losses on transactions by us or our subsidiaries in a currency other than our or our subsidiaries' functional currency are included in our statements of operations as a component of other income (expense). 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 bases 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.

Our operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions, including Korea. Significant estimates and judgments are required in determining our worldwide provision for income 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 invest in manufacturing equipment, software design tools and other tangible and intangible assets for 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 include our payments for the purchase of property, plant and equipment as well as payments for the registration of intellectual property rights.

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

Results of Operations – Comparison of Three Months Ended June 30, 2015 and 2014

The following table sets forth consolidated results of operations for the three months ended June 30, 2015 and 2014:

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Net sales	$ 162.0	100.0%	$ 172.1	100.0%	$ (10.1)
Cost of sales	126.7	78.2	136.6	79.4	(9.9)
Gross profit	35.3	21.8	35.5	20.6	(0.2)
Selling, general and administrative expenses	28.6	17.6	30.7	17.9	(2.2)
Research and development expenses	21.9	13.5	24.1	14.0	(2.1)
Operating loss	(15.2)	(9.4)	(19.3)	(11.2)	4.1
Interest expense, net	(3.9)	(2.4)	(4.0)	(2.3)	0.1
Foreign currency gain (loss), net	(12.3)	(7.6)	38.4	22.3	(50.7)
Others, net	0.2	0.1	0.6	0.3	(0.4)
	(16.0)	(9.9)	35.0	20.3	(51.0)
Income (loss) before income taxes	(31.2)	(19.3)	15.7	9.1	(46.9)
Income tax expenses (benefits)	(0.6)	(0.4)	0.7	0.4	(1.3)
Net income (loss)	$ (30.6)	(18.9)%	$ 15.0	8.7%	$ (45.6)

Results by segment

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Net Sales					
Semiconductor Manufacturing Services	$ 79.0	48.7%	$ 90.3	52.5%	$ (11.4)
Standard Products Group					
Display Solutions	48.9	30.2	45.3	26.3	3.6
Power Solutions	34.0	21.0	36.3	21.1	(2.3)
Total Standard Products Group	82.9	51.2	81.6	47.4	1.3
All other	0.1	0.1	0.1	0.1	—
Total net sales	$162.0	100.0%	$172.1	100.0%	$ (10.1)

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		
	Amount	% of Gross Profit	Amount	% of Gross Profit	Change Amount
			(In millions)		
Gross Profit					
Semiconductor Manufacturing Services	$ 17.2	48.7%	$ 18.6	52.5%	$ (1.4)
Standard Products Group	18.0	50.9	16.7	47.2	1.2
All other	0.1	0.4	0.1	0.4	—
Total gross profit	$ 35.3	100.0%	$ 35.5	100.0%	$ (0.2)

Net Sales

Net sales were $162.0 million for the three months ended June 30, 2015, a $10.1 million, or 5.8%, decrease, compared to $172.1 million for the three months ended June 30, 2014. This decrease was primarily due to decrease in revenue related to our Semiconductor Manufacturing Services segment as described below.

Semiconductor Manufacturing Services. Net sales from our Semiconductor Manufacturing Services segment were $79.0 million for the three months ended June 30, 2015, a $11.4 million, or 12.6%, decrease compared to $90.3 million for the three months ended June 30, 2014. The decrease was attributable to reduced levels of demand for our products by customers primarily serving the smartphone market.

Standard Products Group. Net sales from our Standard Products Group segment were $82.9 million for the three months ended June 30, 2015, a $1.3 million, or 1.6%, increased compared to $81.6 million for the three months ended June 30, 2014. This increase was primarily due to increase in revenue related to our Display Solution business line, partially offset by decrease in revenue related to our Power Solution business line as described below.

Net sales from our Display Solutions business line were $48.9 million for the three months ended June 30, 2015, a $3.6 million, or 7.9%, increase from $45.3 million for the three months ended June 30, 2014. The increase in sales was attributable to higher sales of large display products, which was partially offset by reduced demand for mobile related products. Net sales from our Power Solutions business line were $34.0 million for the three months ended June 30, 2015, a $2.3 million, or 6.3%, decrease from $36.3 million for the three months ended June 30, 2014. The decrease in sales of premium products such high-end MOSFETs and Power Modules impacted negatively our overall revenue, most of which was attributable to demand slowdown for our TV OEM customers. The decrease in sales was also resulted in part from reduced demand for MOSFET products driven by our existing customers due to significant competition in Asia.

All Other. All other net sales were $0.1 million for the three months ended June 30, 2015 and June 30, 2014, respectively.

Gross Profit

Total gross profit was $35.3 million for the three months ended June 30, 2015 compared to $35.5 million for the three months ended June 30, 2014, a $0.2 million, or 0.5%, decrease. Gross profit as a percentage of net sales for the three months ended June 30, 2015 increased to 21.8% compared to 20.6% for the three months ended June 30, 2014. The slight increase in gross profit as a percentage of net sales was primarily due to increase in gross profit from our Standard Products Group segment, partially offset by decrease in gross profit from our Semiconductor Manufacturing Services segment as described below.

Semiconductor Manufacturing Services. Gross profit from our Semiconductor Manufacturing Services segment was $17.2 million for the three months ended June 30, 2015, a $1.4 million, or 7.6%, decrease compared to $18.6 million for the three months ended June 30, 2014. Gross profit as a percentage of net sales for the three months ended June 30, 2015 increased to 21.8% compared to 20.6% for the three months ended June 30, 2014. The increase in gross profit as a percentage of net sales was mainly attributable to better product mix and lower unit costs resulting from decrease in spending related to material and labor.

Standard Products Group. Gross profit from our Standard Products Group segment was $18.0 million for the three months ended June 30, 2015, a $1.2 million, or 7.4%, increase from $16.7 million for the three months ended June 30, 2014. Gross profit as a percentage of net sales for the three months ended June 30, 2015 increased to 21.7% compared to 20.5% for the three months ended June 30, 2014. The improvement in gross profit as a percentage of net sales was primarily attributable to a decrease in warranty and inventory reserves and lower unit costs resulting from decrease in spending related to material and labor. This increase was partially offset by unfavorable mix mainly caused by higher sale of large display products and lower demand for mobile display products.

All Other. All other gross profit was $0.1 million for the three months ended June 30, 2015 and June 30, 2014, respectively.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the three months ended June 30, 2015 and 2014:

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Korea	$ 61.7	38.1%	$ 67.3	39.1%	$ (5.6)
Asia Pacific (other than Korea)	75.6	46.7	74.3	43.2	1.2
United States	20.3	12.5	24.6	14.3	(4.3)
Europe	3.7	2.3	5.6	3.3	(1.9)
Others	0.7	0.4	0.2	0.1	0.4
	$ 162.0	100.0%	$ 172.1	100.0%	$ (10.1)

Net sales in Korea for the three months ended June 30, 2015 decreased from $67.3 million to $61.7 million compared to the three months ended June 30, 2014, or by $5.6 million, or 8.3%, primarily due to the discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific, which was partially offset by the increase in sales of large display applications.

Net sales in Asia Pacific (other than Korea) for the three months ended June 30, 2015 increased from $74.3 million to $75.6 million compared to the three months ended June 30, 2014, or by $1.2 million, or 1.7%, primarily due to the discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific, which was partially offset by the reduced levels of demand for our products for mobile device and home appliances.

Net sales in the United States for the three months ended June 30, 2015 decreased from $24.6 million to $20.3 million compared to the three months ended June 30, 2014, or by $4.3 million, or 17.4%, primarily due to the decrease in demand from our customers in the high end smartphone market.

Net sales in Europe for the three months ended June 30, 2015 decreased from $5.6 million to $3.7 million compared to the three months ended June 30, 2014, or by $1.9 million, or 33.9%, primarily due to the decrease in revenues from our foundry service for automotive applications.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $28.6 million, or 17.6% of net sales, for the three months ended June 30, 2015, compared to $30.7 million, or 17.9% of net sales, for the three months ended June 30, 2014. The decrease of $2.2 million, or 7.0%, was primarily attributable to a $0.9 million decrease in salaried compensation and a $3.6 million decrease in bad debt expense. These decreases were partially offset by a $1.6 million increase in separation cost and a $1.2 million increase in equity-based compensation.

Research and Development Expenses. Research and development expenses were $21.9 million, or 13.5% of net sales, for the three months ended June 30, 2015, compared to $24.1 million, or 14.0% of net sales, for the three months ended June 30, 2014. The decrease of $2.1 million, or 8.8%, was primarily due to a $0.7 million decrease in direct material costs, a $0.5 million decrease in outside service fees and reductions in various overhead expenses.

Operating Loss

As a result of the foregoing, operating loss decreased by $4.1 million, or 21.3%, in the three months ended June 30, 2015 compared to the three months ended June 30, 2014. As discussed above, the decrease in operating loss resulted from a $2.2 million decrease in selling, general and administrative expenses and a $2.1 million decrease in research and development expenses, partially offset by a $0.2 million decrease in gross profit.

Other Income (Expense)

Interest Expense, Net. Net interest expense was $3.9 million for the three months ended June 30, 2015 and $4.0 million for the three months ended June 30, 2014.

Foreign Currency Loss (Gain), Net. Net foreign currency loss for the three months ended June 30, 2015 was $12.3 million compared to net foreign currency gain of $38.4 million for the three months ended June 30, 2014. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany balances at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from intercompany balances was 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 comprised of gains and losses on valuation of derivatives which were designated as hedging instruments and rental incomes. Others for the three months ended June 30, 2015 and June 30, 2014 was $0.2 million and $0.6 million, respectively. The decrease of $0.4 million was primarily attributable to net loss on valuation of derivatives due to hedge ineffectiveness.

Income Tax Benefits (Expenses)

Income tax benefits for the three months ended June 30, 2015 were $0.6 million and income tax expenses for the three months ended June 30, 2014 were $0.7 million. The decrease in income tax expenses of $1.3 million was primarily attributable to benefits from the lapse of statute of limitations on unrecognized tax benefits related to withholding taxes on intercompany balances.

Net Income

As a result of the foregoing, net income decreased by $45.6 million in the three months ended June 30, 2015 compared to the three months ended June 30, 2014. As discussed above, the decrease primarily resulted from a $50.7 million unfavorable change in foreign currency translation, partially offset by a $4.1 million decrease in operating loss.

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Results of Operations – Comparison of Six Months Ended June 30, 2015 and 2014

The following table sets forth consolidated results of operations for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Net sales	$326.9	100.0%	$336.2	100.0%	$ (9.3)
Cost of sales	256.6	78.5	260.5	77.5	(3.9)
Gross profit	70.3	21.5	75.7	22.5	(5.5)
Selling, general and administrative expenses	53.6	16.4	55.8	16.6	(2.2)
Research and development expenses	44.1	13.5	47.2	14.0	(3.1)
Operating income (loss)	(27.4)	(8.4)	(27.2)	(8.1)	(0.2)
Interest expense, net	(8.0)	(2.4)	(8.1)	(2.4)	0.1
Foreign currency gain (loss), net	(15.5)	(4.7)	29.0	8.6	(44.5)
Others, net	0.8	0.2	1.2	0.3	(0.4)
	(22.7)	(6.9)	22.1	6.6	(44.8)
Loss before income taxes	(50.1)	(15.3)	(5.1)	(1.5)	(45.0)
Income tax expenses	0.5	0.2	1.5	0.4	(0.9)
Net loss	$ (50.7)	(15.5)%	$ (6.6)	(2.0)%	$ (44.1)

Results by segment

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Net Sales					
Semiconductor Manufacturing Services	$153.5	47.0%	$182.3	54.2%	$ (28.8)
Standard Products Group					
Display Solutions	105.3	32.2	85.7	25.5	19.6
Power Solutions	67.8	20.8	68.1	20.2	(0.2)
Total Standard Products Group	173.1	53.0	153.8	45.7	19.4
All other	0.3	0.1	0.2	0.1	0.1
Total net sales	$326.9	100.0%	$336.2	100.0%	$ (9.3)

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014		
	Amount	% of Gross Profit	Amount	% of Gross Profit	Change Amount
			(In millions)		
Gross Profit					
Semiconductor Manufacturing Services	$ 32.6	46.3%	$ 40.7	53.8%	$ (8.2)
Standard Products Group	37.4	53.2	34.8	46.0	2.6
All other	0.3	0.4	0.2	0.3	0.1
Total gross profit	$ 70.3	100.0%	$ 75.7	100.0%	$ (5.5)

Net Sales

Net sales were $326.9 million for the six months ended June 30, 2015, a $9.3 million, or 2.8%, decrease, compared to $336.2 million for the six months ended June 30, 2014. This decrease was primarily due to decrease in revenue related to our Semiconductor Manufacturing Services segment, which was offset in part by an increase in net sales from our Display Solutions business line as described below.

Semiconductor Manufacturing Services. Net sales from our Semiconductor Manufacturing Services segment were $153.5 million for the six months ended June 30, 2015, a $28.8 million, or 15.8%, decrease compared to net sales of $182.3 million for the six months ended June 30, 2014. The decrease was attributable to reduced levels of demand for our products by customers primarily serving the smartphone market.

Standard Products Group. Net sales from our Standard Products Group segment were $173.1 million for the six months ended June 30, 2015, a $19.4 million, or 12.5%, increased compared to $153.8 million for the six months ended June 30, 2014. This increase was primarily due to increase in revenue related to our Display Solution business line as described below.

Net sales from our Display Solutions business line were $105.3 million for the six months ended June 30, 2015, a $19.6 million, or 22.8%, increase from $85.7 million for the six months ended June 30, 2014. The increase in sales was primarily attributable to higher sales of large display products. Net sales from our Power Solutions business line were $67.8 million for the six months ended June 30, 2015, a $0.2 million, or 0.3%, decrease from $68.1 million for the six months ended June 30, 2014. The decrease in sales of products such as Power Modules negatively impacted our overall revenue, partially offset by increased demand for high-end MOSFETs primarily for TVs and mobile devices.

All Other. All other net sales were $0.3 million for the six months ended June 30, 2015 and $0.2 million for the six months ended June 30, 2014.

Gross Profit

Total gross profit was $70.3 million for the six months ended June 30, 2015 compared to $75.7 million for the six months ended June 30, 2014, a $5.5 million, or 7.2%, decrease. Gross profit as a percentage of net sales for the six months ended June 30, 2015 decreased to 21.5% compared to 22.5% for the six months ended June 30, 2014. The decrease in gross profit as a percentage of net sales was primarily due to decrease in gross profit from our Semiconductor Manufacturing Services segment, partially offset by increase in gross profit from our Standard Products Group segment as described below.

Semiconductor Manufacturing Services. Gross profit from our Semiconductor Manufacturing Services segment was $32.6 million for the six months ended June 30, 2015, a $8.2 million, or 20.0%, decrease compared to $40.7 million for the six months ended June 30, 2014. Gross profit as a percentage of net sales for the six months ended June 30, 2015 decreased to 21.2% compared to 22.3% for the six months ended June 30, 2014. The decrease in gross profit as a percentage of net sales was mainly attributable to a lower utilization rate and reduced levels of demand for our products by customers primarily serving the smartphone market, which negatively impacted our product mix compared to the six months ended June 30, 2014.

Standard Products Group. Gross profit from our Standard Products Group segment was $37.4 million for the six months ended June 30, 2015, a $2.6 million, or 7.4%, increase from $34.8 million for the six months ended June 30, 2014. Gross profit as a percentage of net sales for the six months ended June 30, 2015 decreased to 21.6% compared to 22.6% for the six months ended June 30, 2014. The decrease in gross profit as a percentage of net sales was attributable to a lower utilization rate and unfavorable product mix mainly caused by higher sales of large display products while demand for mobile display products decreased.

All Other. All other gross profit was $0.3 million for the six months ended June 30, 2015 and $0.2 million for the six months ended June 30, 2014, respectively.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
			(In millions)		
Korea	$124.2	38.0%	$134.3	40.0%	$ (10.1)
Asia Pacific (other than Korea)	154.8	47.3	144.6	43.0	10.2
United States	39.7	12.1	44.3	13.2	(4.7)
Europe	7.4	2.3	12.5	3.7	(5.1)
Others	0.9	0.3	0.5	0.1	0.4
	$326.9	100.0%	$336.2	100.0%	$ (9.3)

Net sales in Korea for the six months ended June 30, 2015 decreased from $134.3 million to $124.2 million compared to the six months ended June 30, 2014, or by $10.1 million, or 7.5%, primarily due to the discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific, which was partially offset by the increase in sales of large display applications.

Net sales in Asia Pacific for the six months ended June 30, 2015 increased from $144.6 million to $154.8 million compared to the six months ended June 30, 2014, or by $10.2 million, or 7.1%, primarily due to the discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific, which was partially offset by the reduced levels of demand for our products for mobile devices and home appliances.

Net sales in the United States for the six months ended June 30, 2015 decreased from $44.3 million to $39.7 million compared to the six months ended June 30, 2014, or by $4.7 million, or 10.5%, primarily due to the decrease in demand from our existing customers in the high end smartphone market.

Net sales in Europe for the six months ended June 30, 2015 decreased from $12.5 million to $7.4 million compared to the six months ended June 30, 2014, or by $5.1 million, or 41.1%, primarily due to the decrease in revenues from our foundry service for automotive and audio applications.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $53.6 million, or 16.4% of net sales, for the six months ended June 30, 2015, compared to $55.8 million, or 16.6% of net sales, for the six months ended June 30, 2014. The decrease of $2.2 million, or 3.9%, was primarily attributable to a $1.6 million decrease in salaried compensation and a $3.7 million decrease in bad debt expense. These decreases were partially offset by a $1.6 million increase in separation cost and a $0.9 million increase in equity-based compensation. The remaining offset primarily related to increase in various outside service fees.

Research and Development Expenses. Research and development expenses were $44.1 million, or 13.5% of net sales, for the six months ended June 30, 2015, compared to $47.2 million, or 14.0% of net sales, for the six months ended June 30, 2014. The decrease of $3.1 million, or 6.6%, was due to a $1.1 million decrease in personnel costs, a $0.8 million decrease in outside service fees and reductions in various overhead expenses.

Operating Loss

As a result of the foregoing, operating loss increased by $0.2 million in the six months ended June 30, 2015 compared to the six months ended June 30, 2014. As discussed above, the increase in operating loss resulted from a $5.5 million decrease in gross profit, which was offset by a $2.2 million decrease in selling, general and administrative expenses and a $3.1 million decrease in research and development expenses.

Other Income (Expense)

Interest Expense, Net. Net interest expense was $8.0 million for the six months ended June 30, 2015 and $8.1 million for the six months ended June 30, 2014.

Foreign Currency Gain (Loss), Net. Net foreign currency loss for the six months ended June 30, 2015 was $15.5 million compared to net foreign currency gain of $29.0 million for the six months ended June 30, 2014. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany balances at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from intercompany balances was 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 comprised of gains and losses on valuation of derivatives which were designated as hedging instruments and rental incomes. Others for the six months ended June 30, 2015 and June 30, 2014 was $0.8 million and $1.2 million, respectively. The decrease of $0.4 million was primarily attributable to net loss on valuation of derivatives due to hedge ineffectiveness.

Income Tax Expenses

Income tax expenses for the six months ended June 30, 2015 and 2014 were $0.5 million and $1.5 million respectively. The decrease in income tax expenses of $1.0 million was primarily attributable to benefits from the lapse of statute of limitations on unrecognized tax benefits related to withholding taxes on intercompany balances.

Net Loss

As a result of the foregoing, net loss increased by $44.1 million in the six months ended June 30, 2015 compared to the six months ended June 30, 2014. As discussed above, the decrease primarily resulted from a $44.5 million unfavorable change in foreign currency translation, partially offset by a $0.9 million decrease in income tax expenses.

Liquidity and Capital Resources

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

Our principal sources of liquidity are our cash, cash equivalents, our cash flows from operations and our 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.

Cash Flows from Operating Activities

Cash outflow used in operating activities totaled $27.5 million for the six months ended June 30, 2015, compared to $5.5 million of cash provided by operating activities in the six months ended June 30, 2014. The net operating cash outflow for the six months ended June 30, 2015 reflects our net loss of $50.7 million and non-cash adjustments of $46.5 million which mainly consisted of depreciation and amortization, provision for severance benefits and foreign currency loss, and a decrease in net operating liabilities of $23.3 million.

Our working capital balance as of June 30, 2015 was $90.0 million compared to $106.8 million as of December 31, 2014. The $16.8 million decrease was primarily attributable to a $29.8 million decrease in cash and cash equivalents and a $13.3 million decrease in accounts payable. The decrease in account payable is a result of decreased material purchases and increased payments of outstanding outside service fees related to the restatement and litigation.

Cash Flows from Investing Activities

Cash outflow used in investing activities totaled $9.2 million in the six months ended June 30, 2015, compared to $10.8 million in the six months ended June 30, 2014. The decrease was primarily due to a decrease in capital expenditures of $10.3 million, partially offset by a $6.6 million increase in hedge collateral, which is comprised of $5.0 million of cash deposits and $1.4 million of cash collateral related to our derivative financial instruments.

Cash Flows from Financing Activities

Cash inflows generated by financing activities totaled $1.2 million for the six months ended June 30, 2015, compared to $0.1 million of cash outflow used in financing activities in the six months ended June 30, 2014. The financing cash inflow for the six months ended June 30, 2015 consists of proceeds received from the issuance of common stock in connection with exercised options.

Capital Expenditures

We routinely make capital expenditures to enhance our existing facilities and reinforce our global research and development capability. For the six months ended June 30, 2015, capital expenditures were $2.2 million, a $10.3 million, or 82.3%, decrease from $12.5 million in the six months ended June 30, 2014 due to acquisition of a specialized Epi toll and maintenance of our fab in the first half of 2014.

Seasonality

Our net sales and number of distinct products sold are affected by market variations from quarter to quarter due to business cycles, and resulting product demand, of our customers. In our Display Solutions and Power Solutions business lines, consumer products manufacturers generally reduce orders in order to reduce excess inventory remaining from the holiday season. In our Semiconductor Manufacturing Services business, the supply-demand cycle is usually one quarter ahead of the broader semiconductor market due to lead time from wafer input to shipment to our customers.

Contractual Obligations

The following summarizes our contractual obligations as of June 30, 2015:

	Payments Due by Period						
	Total	Remainder of 2015	2016	2017	2018	2019	Thereafter
	(In millions)						
Senior notes(1)	$321.9	$ 7.5	$14.9	$14.9	$14.9	$14.9	$ 254.8
Operating lease(2)	44.7	4.4	4.9	2.2	2.1	2.0	29.2
Others(3)	7.2	3.6	3.6	—	—	—	—

(1) Interest payments as well as $225.0 million aggregate principal amount of the 2021 Notes outstanding as of June 30, 2015, which bear interest at a rate of 6.625% per annum and are scheduled to mature in 2021.

(2) Assumes constant currency exchange rate for Korean won to U.S. dollars of 1,124.1:1, the exchange rate as of June 30, 2015.

(3) Includes license agreements and other contractual obligations.

The Indenture relating to the 2021 Notes contains covenants that limit our ability and our restricted subsidiaries to: (i) declare or pay any dividend or make any payment or distribution on account of or purchase or redeem our capital stock or equity interests of the restricted subsidiaries; (ii) make any principal payment on, or redeem or repurchase, prior to any scheduled repayment or maturity, any subordinated indebtedness; (iii) make certain investments; (iv) incur additional indebtedness and issue certain types of capital stock; (v) create or incur any lien (except for permitted liens) that secures obligations under any indebtedness; (vi) merge with or into or sell all or substantially all of our assets to other companies; (vii) enter into certain types of transactions with affiliates; (viii) guarantee the payment of any indebtedness; (ix) enter into sale-leaseback transactions; (x) enter into agreements that would restrict the ability of the restricted subsidiaries to make distributions with respect to their equity to us or other restricted subsidiaries, to make loans to us or other restricted subsidiaries or to transfer assets to us or other restricted subsidiaries; and (xi) designate unrestricted subsidiaries.

We lease land, office space and equipment under various operating lease agreements that expire through 2034.

We follow ASC guidance on uncertain tax positions. Our unrecognized tax benefits totaled $2.0 million as of June 30, 2015. These unrecognized tax benefits have been excluded from the above table because we cannot estimate the period of cash settlement with the respective taxing authorities.

Although we are obligated to pay severance benefits to eligible employees with one or more years of service upon the termination of their employment based on their length of service and pay rate, we have no obligation to fund the accrued severance benefits. Our accrued severance benefits totaled $143.7 million as of June 30, 2015. Our obligations in connection with severance benefits have been excluded from the above table because we are unable to reasonably estimate the rate of termination and related cash payments for future periods.

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with US 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 in Note 1 to the consolidated financial statements of MagnaChip Semiconductor Corporation of the 2014 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.

Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement, the price to the buyer is fixed or determinable, delivery has occurred and collectability of the sales price is reasonably assured. Revenue from the sale of products is recognized when title and risk of loss transfers to the customer, which is generally when the product is shipped to or accepted by the customer depending on the terms of the arrangement.

A portion of our sales are made through distributors for which revenue recognition criteria are usually met when the product is shipped to or accepted by the distributor, consistent with the principles described above. However, the risk of loss may not pass upon shipment of products to the distributor due to a variety of reasons, including the nature of the business arrangement with the distributor. For example, the financial condition of a distributor may indicate that payments by the distributor to us are contingent on resale of products to an end customer. In this situation, we defer recognition of revenue and cost of revenue on transactions with such distributor until the product has been resold to the end customer.

In accordance with revenue recognition guidance, any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer is presented in the statements of operations on a net basis (excluded from revenues).

We provide a warranty, under which customers can return defective products. We estimate the costs related to those defective product returns and record them as a component of cost of sales.

In addition, we offer sales returns (other than those that relate to defective products under warranty), yield provisions, cash discounts for early payments and certain allowances to our customers, including distributors. We record reserves for those returns, discounts and allowances as a deduction from sales, based on historical experience and other quantitative and qualitative factors.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by us for shipping and handling are classified as selling, general and administrative expenses.

Sales of Accounts Receivable

We account for transfers of financial assets under ASC 860, “Transfers and Servicing,” as either sales or financings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee’s right to pledge or exchange the assets and provides more than a trivial benefit to the transferor and (3) the transferor does not maintain effective control over the transferred assets. If the transfer does not meet these criteria, the transfer is accounted for as a financing. Financial assets that are treated as sales are removed from our accounts with any realized gain or loss reflected in earnings during the period of sale.

Product Warranties

We record, in other current liabilities, warranty liabilities for the estimated costs that may be incurred under our basic limited warranty. The standard limited warranty period is one year for the majority of products. This warranty covers defective products, and related liabilities are accrued when product revenues are recognized. Factors that affect our warranty liability include historical and anticipated rates of warranty claims and repair or replacement costs per claim to satisfy our warranty obligation. As these factors are impacted by actual experience and future expectations, we periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts when necessary.

Inventories

Inventories are stated at the lower of cost or market, using the average cost method, which approximates the first in, first out method (“FIFO”). If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories within cost of sales. Inventory reserves are established when conditions indicate that the net realizable value is less than costs due to physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Reserves are also established for excess inventory based on inventory levels in excess of six months of projected demand for each specific product.

In addition, as prescribed in ASC 330, “Inventory,” the cost of inventories is determined based on the normal capacity of each fabrication facility. In case the capacity utilization is lower than a certain level that management believes to be normal, the fixed overhead costs per production unit which exceed those under normal capacity are charged to cost of sales rather than capitalized as inventories.

Impairment of Long-Lived Assets

We review property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360, “Property, Plant and Equipment” (“ASC 360”). Recoverability is measured by comparing its carrying amount with the future net undiscounted cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment is measured as the difference between the carrying amount of the assets and the fair value of assets using the present value of the future net cash flows generated by the respective long-lived assets.

Intangible Assets

Intangible assets other than intellectual property include technology and customer relationships which are amortized on a straight-line basis over periods ranging from one to five years. Intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over their respective periods of benefit, ranging up to ten years, on a straight-line basis.

Income Taxes

We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when it is necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

We recognize and measure uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step process. In the first step, recognition, we determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that has a likelihood of greater than 50 percent of being realized upon ultimate settlement.

Derivative Financial Instruments

We apply the provisions of ASC 815. This Statement requires the recognition of all derivative instruments as either assets or liabilities measured at fair value.

Under the provisions of ASC 815, we may designate a derivative instrument as hedging the exposure to variability in expected future cash flows that are attributable to a particular risk (a "cash flow hedge") or hedging the exposure to changes in the fair value of an asset or a liability (a "fair value hedge"). Special accounting for qualifying hedges allows the effective portion of a derivative instrument's gains and losses to offset related results on the hedged item in the consolidated statements of operations and requires that a company formally document, designate and assess the effectiveness of the transactions that receive hedge accounting treatment. Both at the inception of a hedge and on an ongoing basis, a hedge must be expected to be highly effective in achieving offsetting changes in cash flows or fair value attributable to the underlying risk being hedged. If we determine that a derivative instrument is no longer highly effective as a hedge, it discontinues hedge accounting prospectively and future changes in the fair value of the derivative are recognized in current earnings. We assess hedge effectiveness at the end of each quarter.

In accordance with ASC 815, changes in the fair value of derivative instruments that are cash flow hedges are recognized in accumulated other comprehensive income (loss) and reclassified into earnings in the period in which the hedged item affects earnings. Ineffective portions of a derivative instrument's change in fair value are immediately recognized in earnings. Derivative instruments that do not qualify, or cease to qualify, as hedges must be adjusted to fair value and the adjustments are recorded through net income (loss).

The cash flows from derivative instruments receiving hedge accounting treatment are classified in the same categories as the hedged items in the consolidated statements of cash flows.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03. ASU 2015-03 requires that debt issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. We are currently evaluating the impact of the adoption of ASU 2015-03 on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity will be required to provide certain disclosures if conditions of events raise substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2014-15 on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09. ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 (the “Original Effective Date”), including interim periods within that reporting period, and can be adopted either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption, with early application permitted as of the Original Effective Date. In July 2015, the FASB decided to delay the effective date of ASU 2014-09 by one year. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

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 and interest rates. In the normal course of our business, we are subject to market risks associated with interest rate movements and 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 June 30, 2015 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of $2.2 million in our U.S. dollar financial instruments and cash balances.

See "Note 7. Derivative Financial Instruments" to our consolidated financial statements under "Part I: Item 1. Interim Consolidated Financial Statements (Unaudited)" and "Part I: 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" of this Report for additional information regarding our foreign exchange hedging activities.

Interest Rate Exposures

As of June 30, 2015, $225.0 million aggregate principal amount of our 2021 Notes were outstanding. Interest on the 2021 Notes accrues at a fixed rate of 6.625% per annum and is paid semi-annually every January 15 and July 15 of each year until the 2021 Notes mature on July 15, 2021. Since the interest rate is fixed, we have no market risk related to the 2021 Notes.

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 the reports we file or submit under the Securities Exchange Act of 1934, as amended (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, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, 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 June 30, 2015, 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 not effective as of June 30, 2015, as we cannot conclude that the material weaknesses in internal control over financial reporting described in Part II, Item 9A of the 2014 Form 10-K have been remediated as of the date of this Quarterly Report.

Previously Identified Material Weaknesses

As previously disclosed in the 2014 Form 10-K, management concluded that, based on the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), our internal control over financial reporting was not effective as of December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US GAAP. For more information on the material weaknesses in internal control over financial reporting, see Part II, Item 9A of the 2014 Form 10-K.

Changes in Internal Controls over Financial Reporting

In evaluating whether there were any reportable changes in our internal controls over financial reporting during the quarter ended June 30, 2015, we determined that there were enhancements to our internal control over financial reporting during this quarter as described below. Other than these changes, there were no changes in internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Control Environment:

- During the second quarter of 2015, the Company appointed YJ Kim as Chief Executive Officer and a member of the Company’s Board of Directors, and Jonathan Kim as Chief Financial Officer. Messrs. YJ Kim and Jonathan Kim previously served as Chief Executive Officer and Chief Financial Officer, respectively, on an interim basis since the second quarter of 2014.
- Commencing in the second quarter of 2014, the Principal Executive Officer and Principal Financial Officer/Chief Accounting Officer (“new management team”) took steps to communicate their expectation of the enhanced compliance with high ethical standards by providing ethical guidelines and other forms of internal communications to all employees.
- During the fourth quarter of 2014 and second quarter of 2015, the new management team provided mandatory ethics compliance trainings for all employees, which included a pledge to comply with the Company’s Code of Business Conduct and Ethics. Through such employee training sessions, the new management team specifically emphasized the importance of our whistleblower hotline, through which employees at all levels can anonymously submit information or express concerns regarding accounting, financial reporting, and violations of our Code of Business Conduct and Ethics or other topics.
- During 2014 and 2015, the new management team (i) strengthened the Company’s accounting and finance teams by hiring full-time employees with extensive U.S. GAAP experience, (ii) established a detailed revenue recognition policy including logical criteria to decide whether necessary conditions for revenue recognition were fully met in accordance with U.S.GAAP, and (iii) facilitated U.S. GAAP training programs for relevant employees.
- During the fourth quarter of 2014 and through the date of the filing of this Report, the new management team has been implementing a sub-certification process, which requires that certain employees certify on a quarterly basis that they have no knowledge of (i) any transaction of which terms deviate from the terms of written sales or purchasing contracts, (ii) any undisclosed or unauthorized transaction that should be communicated to the authorized personnel in the accounting team, and (iii) any irregular activities that were not conducted in the ordinary course of business, including inappropriate decision-making and non-compliance with applicable regulations, policies and procedures.

Monitoring Activities:

- The new management team has been building an environment that prioritizes compliance across the enterprise, placing special efforts on improving internal audits and compliance with the Sarbanes-Oxley Act. In December 2014, the new management team hired a new Director of Compliance and Internal Audit, whose primary duties are to design, implement, and operate our internal control over financial reporting.
- During the fourth quarter of 2014 and through the date of the filing of this Report, the Compliance and Internal Audit Team (i) has conducted a risk assessment that considers specific risk scenarios in which misstatement of financial reporting might occur and (ii) has executed monitoring of a sample of transactions for high risk areas. Specifically, the Compliance and Internal Audit Team has implemented an order deviation monitoring process whereby deviations from established customer sales terms were reviewed in order to ensure that such deviations are accurately reflected in our financial statements.
- In May 2015, the Company named its General Counsel, Theodore Kim, as Executive Vice President and Chief Compliance Officer, a newly created position, reporting directly to the Board of Directors. He continues to serve as General Counsel. In addition, the Compliance and Internal Audit Team was reorganized under the Chief Compliance Officer, to whom the Director of Compliance and Internal Audit reports, as a part of the Company's continuing effort to reinforce the independence and objectivity of our internal audit activities from management.
- As a result, we continue to effectively provide the Audit Committee with the information concerning internal audit activities, internal control deficiencies and remediation plans, investigation results of any whistle blowers' complaints, and any irregular activities that are non-compliant with applicable regulations, policies and procedures.

Period End Closing and Financial Reporting:

We have implemented our internal controls in the period-end closing and financial reporting process to: (i) require appropriate internal and external evidences to be prepared for certain type of journal entries; (ii) improve the methods of reconciliation, confirmation, verification, observation, period end cut-off test, and analysis of each accounts in a timely manner; and (iii) assign appropriate roles and responsibilities for more comprehensive review procedures, including the involvement of finance and operational managers, in order to strengthen controls over the completeness and accuracy of both recurring and non-recurring journal entries.

Remediation Plans

We are in the process of developing and implementing remediation plans to address our material weaknesses. Our remediation plans include many actions that are in various stages prior to completion and designed to strengthen our internal controls over financial reporting. They include the following:

Control Environment:

The new management team plans to hire a senior level employee or contract an outside advisor, with expertise in the area of tax accounting and reporting, to (i) manage and oversee income tax matters comprehensively, (ii) consult with the management team, and (iii) train accounting employees with regard to tax accounting, disclosure practices and rules and regulations.

Income Tax Accounting and Disclosures:

We have been improving our procedures and controls over tax accounting and reporting by ensuring that we, on a timely basis: (i) review rules and regulations of tax jurisdictions relevant to each of our consolidated entities; (ii) review related accounting implications; and (iii) improve the competency of our accounting employees through ongoing training on income tax accounting, disclosure practices, and rules and regulations.

As we continue to work to improve our internal controls over financial reporting, management may determine to take additional measures to address the material weaknesses or determine to modify the remediation plan described above. Until the remediation plans set forth above are fully completed and sufficiently operated, the material weaknesses in internal controls over financial reporting described in Part II, Item 9A of the 2014 Form 10-K will continue to exist.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see "Part I: Item 3. Legal Proceedings" of our 2014 Form 10-K.

See also "Part I: Item 1A. Risk Factors" of our 2014 Form 10-K and Note 16 to our consolidated financial statements in this Report 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. You should carefully consider the risk factors disclosed in Part I, Item 1A of our 2014 Form 10-K. The risks described herein and therein are not the only ones we face. This information should be considered carefully together with the other information contained in this Report and the other reports and materials the Company files with the SEC.

There are no material changes to the Company's risk factors disclosed in "Part I: Item 1A. Risk Factors" of our 2014 Form 10-K.

Item 6. Exhibits.

Exhibit Number	Description
10.1#*	Separation Agreement, effective June 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Heung Kyu Kim.
10.2*	Advisory Services and Separation Agreement, effective May 28, 2015, by and between MagnaChip Semiconductor, Inc. and Brent Rowe (incorporated by reference to Exhibit 10.29-1 to our Annual Report on Form 10-K filed on May 28, 2015).
10.3*	Advisory Services and Separation Agreement, dated April 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang (incorporated by reference to Exhibit 10.28-1 to our Annual Report on Form 10-K filed on May 28, 2015).
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#	XBRL Instance Document.
101.SCH#	XBRL Taxonomy Extension Schema Document.
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB#	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document.

Footnotes:

Filed herewith
† Furnished herewith
* Management contract, compensatory plan or arrangement

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: August 7, 2015	By: /s/ Young-Joon Kim Young-Joon Kim Chief Executive Officer (Principal Executive Officer)
Dated: August 7, 2015	By: /s/ Jonathan W. Kim Jonathan W. Kim Chief Financial Officer, Executive Vice President and Chief Accounting Officer (Principal Financial and Accounting Officer)

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Exhibit 10.1

SEPARATION AGREEMENT

퇴직합의서

This Separation Agreement ("Agreement") is made by and between Heung Kyu Kim ("Executive") and MagnaChip Semiconductor, Ltd. (the "Company") (collectively, the "Parties"):

본 퇴직합의서(이하 "합의서")는 김흥규("임원")와 매그나칩반도체 유한회사(이하 "회사")간에(집합적으로 "당사자들") 작성되었다.

WHEREAS, Executive entered into a service arrangement with the Company pursuant to the offer letter dated as of July 1, 2007;

임원은 2007 년 7 월 1 일자 offer letter 에 따라 회사와 서비스협약을 체결하였다.

WHEREAS, Executive's service arrangement will terminate effective [June 30], 2015 (the "Separation Date"), and whereby Executive voluntarily resigned, effective as of May 26, 2015 pursuant to that certain resignation letter dated as of May 26, 2015, from all positions with the Company's parent company, MagnaChip Semiconductor Corporation ("MX"), and each of MX's direct and indirect subsidiaries (collectively, "MagnaChip");

임원의 서비스협약은 [2015 년 6 월 30 일]자("퇴직일")로 종료되며 임원은 2015 년 5 월 26 일부로 2015 년 5 월 26 일 사직서에 따라 회사의 모회사, MagnaChip Semiconductor Corporation("MX"), 그리고 MX 의 모든 직·간접 자회사들(집합적으로 "MagnaChip")의 직책으로부터 사직한다.

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions and demands that Executive has or may have against the Company, including, but not limited to, any and all claims arising or in any way related to Executive's service arrangement with or separation from the Company; and

당사자들은 임원의 회사에 대한 서비스협약이나 퇴직과 관련된 또는 이로 인하여 발생하는 모든 청구를 포함하여 각자가 상대방에 대하여 가지거나 주장할 수 있는 일체의 분쟁, 주장, 불만, 불평, 청구, 소송 및 탄원, 요구 등의 사항에 대하여 본 합의를 통하여 정리하기로 한다.

WHEREAS, this Agreement will become effective on the Separation Date.

본 합의서는 체결과 동시에 효력을 발생한다.

NOW THEREFORE, in consideration of the promises made herein, the Parties hereby agree as follows:

이에 본 합의서에 기술된 사항들과 관련하여 당사자들은 다음과 같이 동의한다:

1. Consideration. As consideration for the release of claims and all other covenants made herein, the Parties agree that the Executive shall receive a payment of **KRW 316,620,000** (the "Separation Payment"). The Company shall pay Executive the Separation Payment as well as the unused-leave cash within fourteen (14) business days of the Separation Date.

1. 약인(Consideration). 본 합의의 이행을 전제로 임원의 퇴직과 관련하여 당사자들은 임원이 금액 **316,620,000** 원 ("퇴직정산금")을 지급받는데 합의한다. 회사는 퇴직일 후 14 영업일 이내에 임원에게 동 퇴직정산금 및 미사용휴가비를 지급하여야 한다.

2. Benefits.

(a) Executive's health insurance benefits cease on the Separation Date. Executive's participation in all other benefits and incidents of service arrangement cease on the Separation Date. Executive ceases accruing service arrangement benefits, including, but not limited to, vacation time and paid time off, as of the Separation Date.

(b) Each vested stock option granted to Executive pursuant to the MX's 2009 Common Unit Plan or its 2011 Equity Incentive Plan (the "Plans") that remains outstanding and unexercised as of the Separation Date, as set forth on Exhibit A (collectively, the "Outstanding Options"), shall remain exercisable through the earliest to occur of (a) the date that is [24] months after the Separation Date, (b) a Change in Control (as defined in the Plans) or (c) the expiration of the original term of the Outstanding Options (in each case, to the extent not exercised prior to such date), at which time any then-unexercised Outstanding Options shall expire and terminate and Executive shall have no further rights with respect to such expired and terminated Outstanding Options. Except as otherwise amended by this Agreement, the Outstanding Options continue to be governed by the original terms set forth in the applicable option agreements and the Plans.

2. 혜택(Benefits).

(a) 임원의 건강보험혜택은 퇴직일에 종료된다. 임원의 기타 모든 서비스협약과 관련된 혜택은 퇴직일에 종료된다. 임원의 정기휴가 및 유급휴가의 발생은 퇴직일에 중단된다.

(b) 임원이 MX 2009 보통 출좌주 플랜 또는 2011 주식 인센티브 플랜 ("플랜")에 의해 부여받아 귀속된 후 퇴직일까지 미행사된 회사 주식 매입 옵션 ("잔여옵션")은, 별첨 A 와 같으며 잔여옵션은 (a) 퇴직일로부터 [24]개월, (b) 플랜에 정의되어 있는 지배의 변화, 또는 (c) 잔여옵션의 원래 만료일 (그러한 날짜 전까지 미행사되었을 경우) 중에 가장 먼저 발생되는 날까지 행사 가능하며, 그 시점까지 미행사된 잔여옵션은 만료되고 해지되며 임원은 그러한 잔여옵션에 대하여 어떠한 권리도 없다. 본 합의서에 의해서 수정된 경우를 제외하고, 해당 잔여옵션은 해당 옵션계약서와 플랜에 기술된 원래 조건에 의한 적용이 계속된다.

3. Payment of Salary, Accrued Vacation and Expense Reimbursements. Executive acknowledges and represents that the Company has paid all salary, wages, bonuses, annual incentives, deferred compensation, accrued vacation and paid time off, commissions, expense reimbursements, stock, stock options, housing allowances, relocation costs, vesting, interest, severance and separation benefits, and any and all other benefits due to Executive as of the Separation Date.

3. 급여의 지급, 휴가발생 및 비용정산.(Payment of Salary, Accrued Vacation and Expense Reimbursements). 임원은 회사가 임원에게 지급해야 할 모든 급여, 임금, 상여금, 인센티브, 지연보상, 정기휴가 및 유급휴가, 수수료, 비용정산, 주식, 주식옵션, 자택지원, 이사비용, 연금수령권, 이자, 퇴직금 (severance or separation benefits) 및 기타 모든 혜택을 지급하였음을 인정한다.

4. Confidential Information.

(a) Executive will hold in strictest confidence and will not disclose, use, lecture upon, or publish any of Proprietary Information (as defined below) of the Company, MagnaChip and third parties. Executive hereby assigns to the Company any rights that Executive may have or acquire in Proprietary Information and recognizes that all Proprietary Information shall be the sole property of the Company and its assigns. For purposes of this Agreement, the term "Proprietary Information" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "Proprietary Information" includes (i) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques; (ii) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (iii) information regarding the skills and compensation of other employees of the Company.

(b) Executive shall return all of the Company's property and all of the Proprietary Information in the Executive's possession to the Company. By signing this Agreement, Executive represents and declares that Executive has returned all Company property and Proprietary Information in the Executive's possession to the Company.

(c) Executive understands, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and Executive shall keep the confidentiality of such Third Party Information. Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone other than Company personnel who need to know such information in connection with their work for the Company.

(d) Executive acknowledges that the United States securities laws (as well as applicable laws of other jurisdictions) prohibit any person who has material, non-public information about a company from using such information in purchasing or selling securities of that company, or from communicating such information to third parties under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. Executive acknowledges that Proprietary Information disclosed by the Company may constitute such material, non-public information.

4. 기밀정보(Confidential Information).

(a) 임원은 회사, MagnaChip, 그리고 제 3 자의 영업과 관련된 기밀정보 또는 독점적인 전유적 정보 (아래와 같이 정의)를 엄격히 기밀로 유지하며 동 정보를 공개, 사용, 강의, 출판 등에 사용하지 않는다. 이에 임원은 자신이 가지고 있거나 획득한 회사의 전유적 정보에 대한 권리를 회사에 모두 양도하며, 회사의 모든 전유적 정보는 전적으로 회사 및 그 양도인의 재산임을 인정한다. 본 합의서에서 "전유적 정보(Proprietary Information)"란 회사가 기밀로 유지하거나 회사가 소유하는 회사의 모든 지식, 데이터 또는 정보를 의미한다. "전유적 정보"에는 (i) 영업비밀, 발명품, 마스크 작업(mask works), 아이디어, 프로세스, 포뮬러, 소스, 객체 코드, 데이터, 프로그램, 기타 저술작업, 노하우, 개선사항, 발견물, 개발작업, 설계 및 기술, (ii) 연구, 개발, 신제품, 마케팅 및 판매, 사업계획, 예산, 미공개 재무제표, 라이센스, 가격 및 원가, 공급사 및 고객과 관련한 정보, (iii) 회사의 다른 임원들의 역량 및 보상과 관련한 정보 등을 포함한다.

(b) 임원은 자신이 소유하고 있는 회사의 모든 재산 및 모든 전유적 정보를 회사에 반환한다. 본 합의서에 서명함으로써, 임원은 자신이 소유하고 있는 회사의 모든 재산 및 모든 전유적 정보를 회사에 반환하였음 확인한다.

(c) 임원은 회사가 제 3 자로부터 수령하였거나 또는 향후 수령할 제 3 자의 기밀 또는 전유적 정보("제 3 자 정보")에 대한 회사의 비밀유지의무를 이해하며 그러한 제 3 자 정보의 기밀을 유지하여야 한다. 임원은 제 3 자 정보를 최대한 엄격하게 비밀로 유지해야 하고 제 3 자 정보를 회사 업무와 관련하여 그러한 정보를 알 필요가 있는 회사직원을 제외한 누구에게도 공개하지 아니한다.

(d) 임원은 미국 증권법(다른 관할의 적용가능한 법을 포함)상 회사의 중요 정보 및 비공개 정보를 가진 자가 해당 회사 주식의 매수 또는 매도에 그러한 정보를 사용할 수 없으며, 제 3 자의 주식 매수 또는 매도가 합리적으로 예견가능한 상황에서 제 3 자와 그러한 정보를 소통 할 수 없음을 확인한다. 임원은 회사에 의해 공개된 비밀정보도 그러한 중요 정보 및 비공개정보가 될 수 있음을 확인한다.

5. Release of Claims. Executive agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, MagnaChip and all of their respective officers, managers, members, supervisors, members of their board of directors, agents and employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessors, successors, and assigns (collectives, the "Affiliates"). Executive, on Executive's own behalf, and on behalf of Executive's respective heirs, family members, executors, agents, and assigns, hereby fully and forever releases the Company, MagnaChip and Affiliates (the "Releasees"), from, and agrees not to sue concerning, any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess arising from any omissions, acts or facts that have occurred up until and including the Separation Date including, without limitation:

(a) any and all claims relating to or arising from Executive's service arrangement relationship with the Company and the separation of that relationship, including claims related to salary, wages, bonuses, annual incentives, deferred compensation, accrued vacation and paid time off, commissions, expense reimbursements, stock, stock options, housing allowances, relocation costs, vesting, interest, severance and separation benefits, and any and all other benefits due to Executive;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of equity of the Company and MagnaChip, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims under the law of any jurisdiction including, but not limited to, wrongful discharge of employment, constructive discharge from employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract, both express and implied, breach of a covenant of good faith and fair dealing, both express and implied, promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, conversion, workers' compensation and disability benefits;

(d) any and all claims for violation of any national, federal, state or municipal constitution, law, regulation or statute;

(e) any and all claims arising out of any other laws and regulations relating to service arrangement or discrimination;

(f) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(g) any and all claims for attorneys' fees and costs.

The Company and Executive agree that the release set forth in this Section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement, nor to any claims that, by statute, may not be waived.

5. 청구포기(Release of Claims). 임원은 상기 금원의 지급으로써 임원에 대해 회사, MagnaChip 및 이들의 임원, 관리자, 구성원, 감독관, 이사회 구성원, 대리인, 직원, 투자자, 주주, 구성원, 관재인, 계열회사, 사업본부, 승계 및 피승계회사 및 양수인, 이들의 자회사 또는 계열사(집합적으로, "계열사")가 부담하는 모든 의무가 완전히 해결되었음에 합의한다. 임원은 본인 및 본인의 상속인, 가족 구성원, 집행인, 대리인, 양수인 등을 대신하여 회사, MagnaChip, 그리고 계열사("피면제자")에 대하여 퇴직일까지 발생한 알려진 또는 알려지지 않은, 의심되는 또는 의심되지 않는 부작위, 작위, 사실 등과 관련한 다음을 포함하는 일체의 청구권, 의무, 책임 또는 청구원인을 포기하고 이에 관한 일체의 소송을 제기하지 않기로 한다.

(a) 임원과 회사의 서비스협약 관계 및 동 관계의 종료와 그와 관련하여 주장할 수 있는 급여, 임금, 상여금, 지연보상, 정기휴가 및 유급휴가, 수수료, 비용정산, 주식, 주식옵션, 자택지원, 이사비용, 연금수령권, 이자, 퇴직금 및 모든 혜택에 관한 청구 ;

(b) 사기, 허위진술, 신임의무의 위반, 관련 주의 기업법에 따른 의무의 위반, 주법 또는 연방법하의 증권 사기 등을 포함하여 회사, 모회사 및 그 계열사 또는 자회사의 주식의 매수권한 또는 실제 매수와 관련하여 발생하는 모든 청구

(c) 부당해고, 사실상의 해고, 공공정책 위반에 따른 해고, 차별, 괴롭힘, 보복, 명시적인 또는 묵시적인 계약의 위반, 명시적인 또는 묵시적인 신의칙 또는 공정거래의무의 위반, 금반언의 원칙의 위반, 고의 또는 과실에 의한 정신적 고통의 야기, 고의 또는 과실에 기한 허위진술, 고의 또는 과실에 기한 계약 및 예상되는 경제적 이익에 대한 개입, 부당한 업무 활동, 명예훼손, 출판물에 의한 명예훼손, 과실, 인신상해, 폭행, 구타, 프라이버시 침해, 불법감금, 점유물의 부당변경 또는 횡령, 근로자 산재보상 및 장애보상금을 포함하여 관할 법 하에서의 모든 청구

(d) 한국, 미국, 홍콩, 중국 등을 포함하는 모든 국내, 연방, 주 또는 지방정부의 헌법, 법, 규정 및 법령 위반에 대한 청구

(e) 서비스협약 또는 차별과 관련된 기타 다른 법과 규정으로부터 야기되는 모든 청구

(f) 본 합의에 따라 임원이 받게 되는 금전에 대한 원천징수면제(non-withholding) 및 기타 다른 세제상의 취급과 관련된 분규에서 발생되는 손실, 비용, 피해, 경비 등의 청구 및

(g) 변호사 보수 및 비용 청구

회사와 임원은 본 조항에 규정된 청구포기는 모든 측면에서 각 대상에 대하여 완전하고 포괄적인 효력을 발휘하는 것임에 동의한다. 이 같은 청구포기는 본 합의서하에서 발생하는 의무 또는 법령에 따라 포기불가능한 청구에까지 확장되지 않는다.

6. <u>No Pending or Future Lawsuits</u>. Executive represents that Executive has no lawsuits, claims, or actions pending in Executive's name or on behalf of any other person or entity against the Company or any other Releasee. Executive also represents that Executive will not, and does not intend to bring any claims on Executive's own behalf or on behalf of any other person or entity against the Company or any other Releasee.

6. <u>계류중인/향후 소송의 포기(No Pending or Future Lawsuits)</u>. 임원은 본인의 이름으로 또는 다른 사람이나 단체를 대신하여 회사 또는 피면제자를 상대로 진행중인 소송 및 청구, 이의가 없음을 밝힌다. 임원은 또한 임원 자신을 위해서 또는 다른 사람이나 단체를 대신하여 회사 또는 피면제자를 상대로 소송을 진행할 의사가 없고 하지 않을 것을 명확히 한다.

7. <u>Application for Service Arrangement</u>. While Company may offer to re-enter into a service arrangement with Executive, Executive understands and agrees that, as a condition of this Agreement, Executive shall not be entitled to any service arrangement with the Company, and Executive hereby waives any right, or alleged right, of service arrangement with the Company.

7. <u>서비스협약 신청(Application for Service Arrangement)</u>. 회사는 임원과 다시 서비스협약을 체결 할 수 있으나, 임원은 본 합의서의 조건 중 하나로써 회사의 서비스협약에 관한 한 어떠한 권리도 없음을 이해하고 합의하며, 이에 임원은 회사와의 서비스협약 권한을 모두 포기한다.

8. <u>Confidentiality</u>. The Parties acknowledge that Executive's agreement to keep the terms and conditions of this Agreement confidential was a material factor on which all parties relied in entering into this Agreement. Executive agrees to use Executive's best efforts to maintain in confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (collectively, "<u>Settlement Information</u>"). Executive agrees to take every reasonable precaution to prevent disclosure of any Settlement Information to third parties, and agrees that there will be no publicity, directly or indirectly, concerning any Settlement Information. Executive agrees to take every precaution to disclose Settlement Information only to those attorneys, accountants, governmental entities, courts of law and family members who have a reasonable need to know (or as required by applicable law) of such Settlement Information. Executive will not have communication with any

Company employees, partners, customers, unitholders, or any other third party regarding Executive's separation from the Company without prior consent of Company's General Counsel or Director of Human Resources.

8. 기밀유지(Confidentiality). 당사자들은 임원이 본 합의서의 조건들을 기밀로 유지하겠다고 동의한 것이 모든 당사자들이 본 합의서를 체결하는 데에 중요한 사항이었음을 인정한다. 임원은 본 합의서의 존재와 본 합의서의 내용 및 조건, 그리고 본 합의서의 약인 등(이하 집합적으로 "Settlement Information")을 기밀로 유지하도록 최선을 다하는 데에 동의한다. 임원은 동 정보가 제 3 자에게 공개되지 않도록 모든 합리적인 조치를 취하는 데에 동의하며, 직·간접적으로 동 정보를 공개하지 않을 것임에 동의한다. 임원은 이 같은 정보를 알아야 할 합리적인 필요가 있는 (또는 관련법에 따라 필요한 경우) 변호사, 회계사, 정부기관, 법정 및 가족 구성원에게만 정보를 제공하도록 모든 주의를 다하는 데에 동의한다. 임원은 회사의 법무담당(General Counsel) 또는 HR 임원의 사전 동의 없이 임원의 퇴직과 관련하여 회사의 직원, 파트너, 고객, 주주 또는 기타 제 3 자와 의사소통하지 아니한다.

9. No Cooperation. Executive agrees Executive will not act in any manner that might damage the business of the Company. Executive agrees that Executive will not encourage, counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so. Executive shall inform the Company in writing within three (3) business days of receiving any such subpoena or other court order.

9. 협력 금지(No Cooperation). 임원은 회사의 사업에 피해를 줄 수 있는 방식으로 행동하지 않는 데에 동의한다. 임원은 피면제자를 상대로 제 3 자가 제기한 분쟁, 이견, 불만, 청구, 고소 등의 표시, 제출과 관련하여 변호사를 격려하거나 자문 및 지원하지 않는 데에 동의한다. 단, 소환장을 받거나 법원 명령이 있을 경우에는 이에 따르도록 한다. 임원은 이 같은 소환장 및 기타 법원 명령을 받은 후 3 영업일 이내에 서면으로 회사에 통보하도록 한다.

10. Non-Disparagement. The Company and Executive agree that neither the Company nor Executive shall make, or cause or assist any other person to make any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. Executive also agrees to refrain from any interference with the contracts, relationships and prospective economic advantage of the Releasees. Executive agrees that Executive shall direct all inquiries by potential future employers to the Company's General Counsel or Director of Human Resources.

10. 비방금지(Non-Disparagement). 회사와 임원은 상호간에 또는 제 3 자를 통해 또는 제 3 자를 도와 상대방의 평판, 사업, 상대방의 특징, 자회사, 관련 임원, 이사, 직원, 상품 또는 서비스를 비방하거나 공격 또는 다른 치명적인 언급이나 커뮤니케이션을 하지 않을 것이며, 회사의 계약, 관계 및 기대되는 경제적 이익을 방해하지 않는 데에 동의한다. 임원은 자신을 고용하려는 자가 직접 제기한 일체의 문의사항에 관하여 이를 회사의 법무담당(General Counsel) 또는 HR 임원에게 연락하도록 할 것을 동의한다.

11. Non-Solicitation. Executive agrees that for a period of twelve (12) months immediately following the Separation Date, Executive shall not either directly or indirectly solicit, induce, recruit, or

encourage any of the employees or consultants of the Company or MagnaChip to leave their employment, or attempt to do so, either for Executive or any other person or entity. Executive also agrees that for a period of twelve (12) months immediately following the Separation Date , Executive shall not either directly or indirectly solicit, induce, or attempt to solicit or induce any customer, client, or supplier (collectively, "Customer"), or any prospective Customer that is or is planning to be engaged in business relationship with the Company or MagnaChip in the near future, for the purpose of engaging in competition or otherwise interfering in any adverse way its relationship with the Company or MagnaChip.

11. 유인금지(Non-Solicitation). 임원은 퇴직일로부터 12 개월 동안 자신을 위해 또는 다른 사람 또는 단체를 위해, 직·간접적으로 회사 직원을 권유, 유인, 모집하거나 사직하도록 권고, 또는 그러한 시도를 하지 않는 데에 동의한다. 임원은 또한 퇴직일로부터 12 개월 동안 자신을 위해, 또는 다른 사람 또는 단체를 위해, 직·간접적으로 회사나 MagnaChip 의 고객, 클라이언트, 또는 공급사(집합적으로 "고객"), 또는 가까운 미래에 회사나 MagnaChip 과 사업관계를 가질 고객을 회사나 MagnaChip 과 경쟁시킬 목적, 또는 관계를 불리하게 방해할 목적으로 권유, 유인, 또는 그러한 시도를 하지 않는데 동의한다.

12. No Knowledge of Wrongdoing. Executive represents that Executive has no knowledge of any wrongdoing involving improper or false claims against a national, federal, or state governmental agency, or any other wrongdoing that involves Executive or other present or former Company employees.

12. 위법사실에 대한 선의(No Knowledge of Wrongdoing). 임원은 정부기관에 대한 부적절하거나 허위의 신청을 포함한 위법행위 사실이나 기타 자신이나 회사의 현직 또는 전직 직원이 관여된 위법행위 사실에 대하여 아는 바가 없음을 확인한다.

13. No Admission of Liability. The Parties understand and acknowledge that this Agreement constitutes a compromise and settlement of actual or potential disputed claims. No action taken by the Parties hereto, or either of them, either previously or in connection with this Agreement, shall be deemed or construed to be:

(a) an admission of the truth or falsity of any claims made or any potential claims; or

(b) an acknowledgment or admission by either Party of any fault or liability whatsoever to the other Party or to any third party.

13. 책임의 불인정(No Admission of Liability). 당사자들은 본 합의서가 실제 논쟁 및 잠재 논쟁에 대한 타협과 합의에 해당되고 있음을 이해하고 인정한다. 과거 또는 본 합의서와 관련하여 취해진 행동은,

(a) 제기된 또는 제기될 가능성이 있는 주장의 진실 또는 거짓을 인정한 것으로 해석되지 아니하며,

(b) 상대방이나 제삼자에 대한 일방의 잘못 또는 책임의 인정, 시인으로 해석되지 아니한다.

14. Indemnification. Executive agrees to indemnify and hold harmless the Company from and against any and all loss, costs, damages or expenses, including, without limitation, attorneys' fees or expenses incurred by the Company arising out of the breach of this Agreement by Executive, or from any false representation made herein by Executive, or from any action or proceeding which may be commenced, prosecuted or threatened by Executive or for Executive's benefit, upon Executive's initiative, or with Executive's aid or approval, contrary to the provisions of this Agreement. Executive further agrees that in any such action or proceeding, this Agreement may be pled by the Company as a complete defense, or may be asserted by way of counterclaim or cross-claim. In the event that Executive incurs an indemnification obligation under this Agreement, Executive acknowledges and agrees that Company may in its discretion pursue remedies available to the Company at equity and at law.

14. 면책(Indemnification). 임원은 자신의 본 합의서 위반이나 본 합의서상 임원의 허위진술(false representation) 또는 임원이 본 합의서에 반하여 직접 또는 임원의 제안에 의하여 또는 임원의 도움이나 승인에 의하여 임원을 위하여 개시되거나 개시의 위협이 이루어지는 민형사상의 소송절차로 인해 회사가 입은 변호사 비용이나 기타 비용등을 포함한 모든 손실, 비용, 손해 및 수수료로부터 회사를 면책시켜야 한다. 임원은 또한 그 같은 소송절차에 있어 본 합의서가 완벽한 항변사유로 또는 반소의 원인으로 사용될 수 있음에 동의한다. 임원이 본 계약에 따라 배상의무를 지는 경우, 임원은 회사가 그의 판단에 따라 임원에게 법적으로 가능한 모든 구제수단을 동원할 수 있음을 인정하고 동의한다.

15. Best Effort Assistance and Cooperation. Executive acknowledges the continuation of Executive's obligations to assist Company after the Separate Date. Upon request of the Company or MagnaChip after the Separation Date, Executive agrees to put best efforts to provide the Company and MagnaChip with assistance with respect to any disputes, claims, complaints, grievances, charges, actions, petitions and demands that the Company, MagnaChip, or Affiliates is a part of, or involved in. To that end, Executive will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may request. However, the Company agrees to bear all reasonable actual costs and fees in which Executive incur from providing the Company with such assistance.

15. 최선의 지원 및 협력 (Best Effort Assistance and Cooperation). 임원은 회사를 지원해야 할 자신의 의무가 퇴직일 이후에도 지속됨을 인정한다. 임원은 퇴직일 이후에 회사 또는 MagnaChip 의 요청이 있을 시 회사, MagnaChip, 또는 계열사가 직·간접적으로 관련되어 있는 분쟁, 주장, 불만, 불평, 청구, 소송 및 탄원, 요구 등의 사안에 대해 최선의 협력을 하도록 한다. 이를 위해, 임원은 회사가 합리적으로 요청하는 문서를 이행, 확인 및 전달하고(증인 출석을 포함한) 기타 행동을 취하도록 한다. 본 15 조에 따른 임원의 회사 지원 의무에 중대한 위반이 있을 시에는 임원은 본 합의서에 따라 회사가 임원에게 지급한 대가를 반환해야 한다. 단, 회사는 퇴직일 이후, 회사의 지원 요청에 따라 임원이 지원을 위해 실제 소요한 합리적인 비용에 대해서는 회사가 부담하도록 한다.

16. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement, except as provided herein.

16. 비용(Costs). 당사자들은 본 합의서에 명시된 것을 제외한 자체 비용, 전문가 보수, 변호사 보수 기타 본 합의와 관련한 일체의 비용 등을 각각 부담하도록 한다.

17. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payment of any sums to Executive under the terms of this Agreement.

Executive agrees and understands that Executive is responsible for payment, if any, of national or local taxes on the sums paid hereunder by the Company and any penalties or assessments thereon; provided, however, that the Company shall withhold from the Separation Payment and any benefits due hereunder any taxes, charges, or other assessments of any kind required under law to be withheld by the Company. Executive further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of Executive's failure to pay national or local taxes or damages sustained by the Company by reason of any such claims, including reasonable attorneys' fees.

17. 세금(Tax Consequences). 회사는 본 합의서 조건에 따라 임원에게 지급하는 금액에 대한 과세 사항에 대한 어떠한 책임과 보증을 하지 않는다. 임원은 회사로부터 지급받은 금액에 대한 국세 및 지방세, 가산세 등의 이행에 대한 책임을 진다. 단, 본 합의서에 따라 지급되는 퇴직정산금 및 기타 혜택에 대해서는 법에 따라 회사가 관련 세액, 비용 등을 원천징수 한다. 이외에도 임원이 국세 및 지방세를 납부하지 않아 정부에서 회사를 상대로 청구 등을 하는 경우, 또는 이 같은 청구로 인해 변호사 비용 등 회사가 금전적 손해를 보는 경우에 임원은 회사에 보상할 것에 동의한다.

18. Dispute Resolution. The Parties agree that any and all disputes arising out of the terms of this Agreement, their interpretation, and any of the matters herein released, shall be finally resolved by arbitration. Such arbitration proceedings shall take place in Seoul in accordance with the applicable rules of arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with such rules, but the proceedings shall be conducted in English language. The Parties agree that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties agree that the prevailing Party in any arbitration shall be awarded its reasonable attorneys' fees and costs unless contrary to applicable law. The Parties hereby agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury. This Section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute upon such grounds permitted by the applicable law without waiving the right to compel arbitration.

18. 분쟁해결(Dispute Resolution). 당사자들은 본 합의서 조항 및 그의 해석과 관련하여 발생하는 일체의 분쟁은 중재로 최종적으로 해결되어야 하기로 한다. 중재는 서울에서 국제상사중재위원회의 해당 중재규정에 따라 서울에서 해당 규정에 따라 선임되는 한 명 또는 그 이상의 중재인에 의해 진행되어야 하며 영어로 진행되어야 한다. 각 당사자는 중재에서 우세한 판정을 받은 당사자가 중재판정의 집행법원에 가집행을 요청할 수 있음에 동의한다. 준거법에 달리 명시되어 있지 않은 한, 각 당사자는 중재에서 우세한 판정을 받은 당사자는 합리적인 변호사 비용도 청구할 수 있음에 동의한다. 각 당사자는 각 당사자간의 분쟁을 법원에서 판사나 배심원에 의해 판결에 따라 해결할 것을 요구할 수 있는 권리를 포기하기로 동의한다. 중재 요구권 포기없이, 준거법에 따라 허용되는 한, 본 조항은 각 당사자가 당사자들 및 당사자들의 분쟁에서 문제가 되는 쟁점에 대하여 관할권이 있는 어떤 법원으로부터 가처분(또는 기타의 임시조치) 조치를 취하는 것을 금지하지 않는다.

19. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Executive represents and warrants that Executive has the capacity to act on Executive's own behalf and on behalf of all who might claim through Executive to bind them to the terms and conditions of this Agreement. Each Party represents and warrants that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

19. 권한(Authority). 회사는 아래 서명자가 회사를 대표할 권한을 가지며, 회사 및 본 합의서의 계약조건에 따른 권리행사를 할 수 있는 모두를 구속시킬 권한이 있음을 진술 보증한다. 임원은 임원 자신과 임원을 통해 주장하는 모든 사람을 대신하여 본 합의서의 조건에 구속시킬 권한이 있음을 진술 보증한다. 각 당사자는 본 합의에서 포기한 청구권이나 청구원인에 대하여 보통법과 형평법상의 선취특권, 선취특권의 주장 또는 양도가 없음을 진술 보증한다.

20. No Representations. Each Party represents that it has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. In entering into this Agreement, neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

20. 별도진술의 부존재(No Representations). 각 당사자는 변호사의 자문을 받을 기회가 있었으며 본 합의서 조항을 신중히 읽었으며, 합의서 조항들의 범위와 효과를 이해하고 있음을 확인한다. 본 합의서를 체결하는데에 있어서 어느 당사자도 본 합의서에 구체적으로 명시되어 있지 않은 상대방의 진술이나 사실확인에 의존하지 않았다.

21. Severability. In the event that any provision, or any portion thereof, becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision or portion of said provision. The invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

21. 분리(Severability). 본 합의서의 특정 조항이나 조항의 일부분이 관할법원에 의해 위법하거나 집행불가능, 또는 무효로 선언되는 경우에 해당 조항이나 조항의 일부분을 제외하고 나머지 본 합의서의 효력은 유지되는 것으로 하며 무효 또는 집행불가로 판정된 조건, 조항은 해당 조항의 의미 및 의도를 가장 유사하게 표현하는 유효하고 집행 가능한 조건 또는 조항으로 대체하기로 한다..

22. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Executive concerning the subject matter of this Agreement and Executive's relationship with the Company, and supersedes and replaces any and all prior agreements and understandings between the Parties concerning the subject matter of this Agreement and Executive's relationship with the Company.

22. 전체계약(Entire Agreement). 본 합의서는 회사와 임원이 본 합의서 내용과 임원과 회사의 관계에 대해 완전히 동의하고 이해했음을 나타내며, 본 합의서 내용과 임원과 회사의 관계에 대한 이전의 합의와 이해를 모두 대체한다.

23. No Waiver. The failure of the Company to insist upon the performance of any of the terms and conditions in this Agreement, or the failure to prosecute any breach of any of the terms and conditions of this Agreement, shall not be construed thereafter as a waiver of any such terms or conditions. This entire Agreement shall remain in full force and effect as if no such forbearance or failure of performance had occurred.

23. 권리의 불포기(No Waiver). 회사가 본 합의서의 특정 조항의 이행을 주장하지 않거나 본 합의서상 조항 위반을 다투지 않는 경우 이를 그 같은 조항에 대한 회사의 권리 포기로 해석되어서는 아니된다. 본 합의서는 그와 같은 권리의 불행사 또는 부집행이 없었던 것처럼 여전히 효력을 가지게 된다.

24. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and the Chief Executive Officer or other duly authorized officer of the Company. No waiver by either Party at any time of any breach by the other Party, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

24. 구두 수정 불허용(No Oral Modification). 본 합의서의 수정은 서면 작성 후 임원과 회사의 대표이사 또는 회사로부터 정당한 권한을 위임받은 자가 서명해야만 그 효력을 인정받을 수 있다. 어느 한 당사자가 어느 시점에서든 본 합의서의 어떠한 조건 또는 준수해야 하는 조항을 위반한 것에 대한 면제는 현재, 과거, 그리고 미래의 본 계약상의 유사 또는 비유사조항이나 조건에 대한 면제로 간주되지 않는다.

25. Governing Law. This Agreement shall be construed, interpreted, governed, and enforced in accordance with the laws of the Republic of Korea, without regard to choice of law provisions. Executive hereby consents to personal and exclusive jurisdiction and venue in the Republic of Korea.

25. 준거법(Governing Law). 섭외사법의 규정에도 불구하고 본 합의서의 해석, 적용, 집행은 대한민국의 법률에 의한다. 이에 임원은 대한민국의 전속적 재판관할에 동의한다.

26. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

26. 부본(Counterparts). 본 합의서는 부본으로 작성되어 팩스로 송부될 수 있으며, 각 부본은 원본과 동일한 효력을 가지고 아래에 서명한 이들에게 구속력을 발휘하게 된다.

27. Interpretation. This Agreement will be prepared in the English and Korean languages. For purposes of interpretation or resolving ambiguities or discrepancies, the English version will control and prevail over the Korean version and any other translation.

27. 해석(Interpretation). 본 합의서는 영어와 한글로 작성된다. 해석이나 모호한 표현 및 불일치 되는 것과 관련하여 영문본이 한글본 및 기타 다른 언어로 작성된 번역본에 우선한다.

28. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties, with the full intent of releasing all claims. Executive acknowledges that Executive:

(a) has read this Agreement;

(b) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or that Executive has voluntarily declined to seek such counsel;

(c) understands the terms and consequences of this Agreement and of the releases it contains; and

(d) is fully aware of the legal and binding effect of this Agreement.

28. 자발적인 합의서의 작성(Voluntary Execution of Agreement). 각 당사자는 모든 청구를 포기하려는 완전한 의도 하에 본 합의서를 협박이나 부당한 영향력의 행사 없이 작성한다. 임원은:

(a) 본 합의서를 읽었다;

(b) 본 합의서의 준비, 협상, 이행에 있어서 임원이 스스로 선택한 법률자문을 받았거나, 자의로 법률자문을 받지 아니하였다;

(c) 본 합의서의 조건과 결과 및 합의서에 담겨있는 청구포기의 조건과 결과를 이해하고 있다; 그리고

(d) 본 합의서의 법적 구속력을 완전히 인지하고 있다.

29. Breach. Executive acknowledges and agrees that any breach of any provision of this Agreement shall constitute a material breach of this Agreement and shall entitle the Company immediately to recover and/or cease the consideration payments provided to Executive under this Agreement.

29. 계약위반(Breach). 임원은 본 합의서 어떠한 조항의 위반도 본 합의서의 중대한 위반이 되며, 회사는 본 합의서에 따라 임원에게 지급되는 대가를 즉시 회수하거나 중단할 수 있음을 인정하고 합의한다.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Separation Date.

이상을 증명하기 위하여 이에 각 당사자는 본 퇴직일에 본 합의서를 체결하였다.

COMPANY 회사 :
MagnaChip Semiconductor, Ltd.
매그나칩반도체 유한회사

By: /s/ Young-Joon Kim
Young-Joon Kim 김영준
Representative Director 대표이사

EXECUTIVE 임원 :

/s/ Heung Kyu Kim
Heung Kyu Kim 김 흥 규

EXHIBIT A (별첨 A)
OUTSTANDING OPTIONS (잔여옵션)

Grant Date (부여일)	Number of Shares Granted (부여 주식수)	Exercise Price per Share (주식 당 행사가격)	Number of Shares Exercised (행사 주식 수)	Number of Vesting Shares Outstanding (귀속된 잔여 주식 수)
December 8, 2009 (2009년 12월 8일)	70,000	$ 5.88	0	70,000
January 15, 2012 (2012년 1월 15일)	95,000	$ 7.75	0	95,000
Total (합계)	**16,5000**		**0**	**16,5000**

Exhibit 31.1

**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 for the quarter ended June 30, 2015;

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: August 7, 2015

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

Exhibit 31.2

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

I, Jonathan W. Kim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MagnaChip Semiconductor Corporation for the quarter ended June 30, 2015;

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: August 7, 2015

/s/ Jonathan W. Kim
Jonathan W. Kim
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**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 June 30, 2015 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: August 7, 2015

/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.

Exhibit 32.2

**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 June 30, 2015 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: August 7, 2015

/s/ Jonathan W. Kim
Jonathan W. Kim
Chief Financial Officer
(Principal Financial and 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.