c/o Magnachip Semiconductor, Ltd.
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581

To Our Stockholders:

You are invited to attend the Annual Meeting of Stockholders of Magnachip Semiconductor Corporation to be held on May 18, 2023, at 8:00 p.m. Eastern Daylight Time.

We are pleased to announce that this year's Annual Meeting will again be held completely virtually via live interactive webcast on the Internet. You will be able to attend, vote and submit your questions during the meeting at *www.virtualshareholdermeeting.com/MX2023*. We have enclosed the notice of our Annual Meeting of Stockholders, together with this Proxy Statement, a proxy and an envelope for returning the proxy.

You are asked to act upon proposals to:

(1) elect the six director nominees named in the Proxy Statement to our Board of Directors;

(2) conduct an advisory (non-binding) vote on the compensation of our named executive officers as described in this Proxy Statement;

(3) ratify the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the fiscal year ending December 31, 2023; and

(4) approve our Amended and Restated 2020 Equity and Incentive Compensation Plan.

Your Board of Directors unanimously recommends that you vote "FOR" each nominee for director that the Board of Directors has selected, "FOR" the approval of the compensation of our named executive officers as described in the Proxy Statement, "FOR" the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the fiscal year ending December 31, 2023, and "FOR" the approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan.

Please carefully review the Proxy Statement and then complete and sign your proxy and return it promptly. If you attend the virtual meeting and decide to vote during the meeting, you may withdraw your proxy by voting at the meeting.

Your time and attention to this letter and the accompanying Proxy Statement and proxy are appreciated. Your vote is important. Please take the time to read the enclosed Proxy Statement and cast your vote via proxy or at the Annual Meeting of Stockholders.

Sincerely,

/s/ Young-Joon Kim

Young-Joon Kim
Chief Executive Officer

April 17, 2023

Magnachip Semiconductor Corporation
c/o Magnachip Semiconductor, Ltd.
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 18, 2023

The Annual Meeting of Stockholders of Magnachip Semiconductor Corporation, a Delaware corporation, will be held on Thursday, May 18, 2023, at 8:00 p.m. Eastern Daylight Time, via live interactive webcast on the Internet, for the following purposes:

(1) to elect the six director nominees named in the Proxy Statement to our Board of Directors;

(2) to conduct an advisory (non-binding) vote on the compensation of our named executive officers as described in the Proxy Statement;

(3) to ratify the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the fiscal year ending December 31, 2023;

(4) to approve our Amended and Restated 2020 Equity and Incentive Compensation Plan; and

(5) to transact such other business as may properly come before the meeting.

Holders of record of our common stock at the close of business on Thursday, April 6, 2023, are entitled to vote at the meeting. A list of stockholders entitled to vote will be available for inspection by stockholders of record for any purpose germane to the Annual Meeting during ordinary business hours at our corporate offices located at Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581, for a period of ten days immediately prior to the Annual Meeting. If you are a stockholder of record and would like to view this stockholder list, please contact Investor Relations Department at investor.relations@magnachip.com and arrangements will be made to review the records in person during the ten days prior to the Annual Meeting. Additionally, such list of stockholders will be made available for viewing electronically during the Annual Meeting, and instructions to access such list will be available on the date of the Annual Meeting at *www.virtualshareholdermeeting.com/MX2023.*

By Order of the Board of Directors

/s/ Theodore Kim

Theodore Kim
Chief Compliance Officer, Executive Vice President,
General Counsel and Secretary

April 17, 2023

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 18, 2023

The 2023 Proxy Statement and 2022 Annual Report are available, free of charge, at *www.proxyvote.com.*

Magnachip Semiconductor Corporation's Annual Report for the year ended December 31, 2022 is being mailed to stockholders concurrently with the 2023 Proxy Statement. The Annual Report contains financial and other information about Magnachip Semiconductor Corporation, but is not incorporated into the Proxy Statement and is not deemed to be a part of the proxy soliciting materials.

Even if you expect to attend the Annual Meeting, please promptly complete, sign, date and mail the enclosed proxy card. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States. Alternatively, if you are a holder of record of our common stock on the record date, you may vote your shares electronically either over the internet at *www.proxyvote.com* or by touch-tone telephone at 1-800-690-6903. Stockholders who attend the Annual Meeting may revoke their proxies and vote during the meeting at *www.virtualshareholdermeeting.com/MX2023* if they so desire.

TABLE OF CONTENTS

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Magnachip Semiconductor Corporation
c/o Magnachip Semiconductor, Ltd.
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2023

GENERAL INFORMATION

Why am I receiving these materials?

We sent you these proxy materials because the Board of Directors (the "Board") of Magnachip Semiconductor Corporation (the "Company," "Magnachip," "we," "us" and "our") is soliciting your proxy to vote at the 2023 Annual Meeting of Stockholders (the "Annual Meeting") and at any postponements or adjournments of the Annual Meeting. The Annual Meeting will be held virtually via live interactive webcast on the Internet on May 18, 2023, at 8:00 p.m. Eastern Daylight Time. If you held shares of our common stock, par value of $0.01 per share (the "Common Stock"), on April 6, 2023 (the "Record Date"), you are invited to attend the Annual Meeting at *www.virtualshareholdermeeting.com/MX2023* and vote on the proposals described below under the heading "What am I voting on?" However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may complete, sign, date and return the enclosed proxy card. You may also vote over the Internet or by telephone.

The Notice of Annual Meeting of Stockholders, the Proxy Statement, the enclosed proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 are being mailed to stockholders commencing on or about April 17, 2023.

What am I voting on?

There are four proposals scheduled to be voted on at the Annual Meeting:

1. Election of the six director nominees specified in this Proxy Statement to serve until the 2024 annual meeting of stockholders and until their respective successors are elected and qualified;
2. Approval on an advisory (non-binding) basis of the compensation of our named executive officers as described in this Proxy Statement;
3. Ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2023; and
4. Approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan.

How does the Board recommend that I vote?

Our Board recommends that you vote your shares:

"FOR" the election of each of the six director nominees named in this Proxy Statement to hold office until the 2024 annual meeting of stockholders and until their respective successors are elected and qualified;

"FOR" the approval on an advisory (non-binding) basis of the compensation of the named executive officers as described in this Proxy Statement;

"FOR" the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2023; and

"FOR" the approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan.

Who can vote at the Annual Meeting?

If you were a holder of record of the Company's Common Stock as of the close of business on April 6, 2023, the Record Date for the Annual Meeting, you may vote your shares at the Annual Meeting. As of the Record Date, there were 42,514,556 shares of Magnachip Common Stock outstanding, excluding treasury shares. Company treasury shares will not be voted. Each stockholder has one vote for each share of Common Stock held as of the Record Date.

If, on the Record Date, your shares were held in an account at a broker, bank, or other financial institution (we will refer to those organizations collectively as "broker"), then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that broker. The broker holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct your broker on how to vote the shares in your account. As a beneficial owner, you are invited to attend the Annual Meeting via the Internet at *www.virtualshareholdermeeting.com/MX2023*. However, since you are not a stockholder of record, you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from your broker.

How can I attend the Annual Meeting?

If you are a stockholder of record or a beneficial owner as of April 6, 2023, you are invited to attend the Annual Meeting live via the Internet at *www.virtualshareholdermeeting.com/MX2023*. You must have your Control Number listed on the enclosed proxy card to enter the meeting. The webcast starts at 8:00 p.m. Eastern Daylight Time. You may vote and submit questions while attending the meeting on the Internet. Instructions on how to attend and participate in the Annual Meeting via the Internet, including how to demonstrate proof of stock ownership, are posted at *www.virtualshareholdermeeting.com/MX2023*. The audio broadcast will be archived on that website for one year.

What if I return the proxy card to the Company but do not make specific choices?

If you return a signed, dated, proxy card to the Company without making any voting selections, the named proxies will vote your shares (1) "FOR" the election of each of the six director nominees named in this Proxy Statement to hold office until the 2024 annual meeting of stockholders and until their respective successors are elected and qualified; (2) "FOR" the approval on an advisory (non-binding) basis of the compensation of our named executive officers as disclosed in this Proxy Statement; (3) "FOR" the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2023; and (4) "FOR" the approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan.

The Company does not expect that any matters other than the election of directors and the other proposals described in this Proxy Statement will be brought before the Annual Meeting. The persons appointed as proxies will vote in their discretion on any other matters that may properly come before the Annual Meeting or any postponements or adjournments thereof, including any vote to postpone or adjourn the Annual Meeting.

How many shares must be present or represented to conduct business at the Annual Meeting?

A quorum of stockholders is necessary to hold a valid annual meeting. A quorum will be present if the holders of at least a majority of the total number of shares of Common Stock entitled to vote are present, in person or by proxy, at the Annual Meeting. There were 42,514,556 shares of our Common Stock outstanding and entitled to vote on the Record Date. Therefore, a quorum will be present if 21,257,279 shares of our Common Stock are present in person or represented by executed proxies timely received by us at the Annual Meeting. Abstentions and shares represented by broker non-votes are counted for the purpose of determining whether a quorum is present. If there are insufficient votes to constitute a quorum at the time of the Annual Meeting, we may adjourn the Annual Meeting to solicit additional proxies.

How are votes counted and what is a broker non-vote?

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count "FOR," "AGAINST," "WITHHOLD," abstentions and broker non-votes. A "broker non-vote" occurs when your broker submits a proxy card for your shares of Common Stock held in street name, but does not vote on a particular proposal because the broker has not received voting instructions from you and does not have the authority to vote on that matter without instructions. Under the rules that govern brokers who are voting shares held in street name, brokers have the discretion to vote those shares on routine matters but not on non-routine matters. For purposes of these rules, the only routine matter in this Proxy Statement is Proposal Three—the ratification of our independent registered public accounting firm for the fiscal year ending December 31, 2023. Non-routine matters in this Proxy Statement are Proposal One—the election of directors, Proposal Two—the advisory (non-binding) vote on the compensation of our named executive officers as described in this Proxy Statement, and Proposal Four—the approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan. Therefore, if you hold your shares in street name and do not provide voting instructions to your broker, your broker does not have discretion to vote your shares on any proposal at the Annual Meeting other than Proposal Three—the ratification of our independent registered public accounting firm for the fiscal year ending December 31, 2023. However, your shares will be considered present at the Annual Meeting for purposes of determining the existence of a quorum.

What is the voting requirement to approve each of the proposals?

Proposal One—Election of Directors

The election of director nominees requires a plurality vote of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors. The director nominees receiving the highest number of "FOR" votes cast by the holders of our Common Stock entitled to vote at the Annual Meeting will be elected. Accordingly, "WITHHOLD" votes and broker non-votes will have no effect on the outcome of the election of directors. Stockholders have no right to cumulative voting as to any matters, including the election of directors.

Proposal Two—Advisory (Non-Binding) Vote on the Compensation of our Named Executive Officers

The proposal to approve on an advisory (non-binding) basis the compensation of our named executive officers as described in this Proxy Statement requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions will be included in the number of shares present and entitled to vote and will therefore have the same effect as a vote "AGAINST" the proposal. Broker non-votes will not be included in calculating the number of votes entitled to vote on this proposal and will therefore have no effect on the outcome of this proposal.

Proposal Three—Ratification of the Appointment of our Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2023

The proposal to ratify the appointment of Samil PricewaterhouseCoopers requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions will be included in the number of shares present and entitled to vote and will therefore have the same effect as a vote "AGAINST" this proposal. Brokers have discretionary authority to vote uninstructed shares on this proposal.

Proposal Four—Approval of our Amended and Restated 2020 Equity and Incentive Compensation Plan.

The proposal to approve our Amended and Restated 2020 Equity and Incentive Compensation Plan requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions will be included in the number of shares present and entitled to vote and will therefore have the same effect as a vote "AGAINST" this proposal. Broker non-votes will not be included in calculating the number of votes entitled to vote on this proposal and will therefore have no effect on the outcome of this proposal.

How do I vote my shares of Magnachip Common Stock?

Stockholders may vote shares of our Common Stock using any of the following means:

Voting by Proxy Cards. A registered stockholder may vote shares until voting is completed at the Annual Meeting by returning a duly completed and executed proxy card in the postage-paid envelope included. All proxy cards received by us that have been properly signed and have not been revoked will be voted in accordance with the instructions contained in the proxy cards. For your mailed proxy card to be counted, we must receive it prior to the close of business on May 17, 2023.

Voting by Telephone or Internet. A registered stockholder may vote shares until 11:59 p.m. Eastern Daylight Time on May 17, 2023 by calling the toll-free number indicated on the proxy card and following the recorded instructions or by accessing the website indicated on the proxy card and following the instructions provided. When a stockholder votes by telephone or Internet, his, her or its vote is recorded immediately.

Voting by Internet During the Annual Meeting. Instructions on how to attend and vote at the meeting are described at *www.virtualshareholdermeeting.com/MX2023*. If a stockholder attends the Annual Meeting and votes his, her or its shares during the meeting via the voting instructions described at *www.virtualshareholdermeeting.com/MX2023,* then any previous votes that were submitted by the stockholder, whether by Internet, telephone or mail, will be superseded by the vote that such stockholder casts during the Annual Meeting. Further, if the shares are held of record by a broker and a stockholder wishes to vote at the Annual Meeting, he, she or it must obtain a proxy issued in his, her or its name from the record holder in accordance with the materials and instructions for voting provided by his, her or its broker.

Voting by "Street Name" Stockholders. If stockholders hold shares in "street name," then those stockholders may vote in accordance with the materials and instructions for voting the shares provided by their broker. If "street name" stockholders wish to vote shares at the Annual Meeting, then they must obtain proxies from their broker in order to vote their shares at the Annual Meeting in accordance with the materials and instructions for voting provided by his, her or its broker. If a "street name" stockholder does not vote by proxy or otherwise give voting instructions to their broker, such shares will not be voted by the broker for Proposal One, Two or Four at the Annual Meeting.

Changing Votes. A stockholder may change his, her or its vote at any time before it is voted at the Annual Meeting by (1) delivering a proxy revocation or another duly executed proxy bearing a later date to Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581, Attention: Secretary, which revocation or later-dated proxy is received by us prior to the close of business on May 17, 2023; (2) voting again by telephone or Internet in the manner described above prior to 11:59 p.m., Eastern Daylight Time, on May 17, 2023; or (3) attending the Annual Meeting and voting via the Internet during the meeting using the procedures described at *www.virtualshareholdermeeting.com/MX2023*. Attending the Annual Meeting via the Internet will not revoke a proxy unless the stockholder actually votes via the Internet during the meeting. "Street name" stockholders who wish to revoke or change their votes after returning voting instructions to their broker may do so in accordance with the materials and instructions provided by their broker or by contacting such broker to effect the revocation or change of vote.

How can I find out the results of the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. We will publish final results in a Current Report on Form 8-K that we expect to file with the Securities and Exchange Commission (the "SEC") within four business days of the Annual Meeting. After the Form 8-K is filed, you may obtain a copy by visiting the investor relations section of our website or *www.magnachip.com* or by writing to Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581, Attention: Secretary.

PROPOSAL ONE

ELECTION OF DIRECTORS

The members of our Board are elected to one-year terms, with each director to serve until such director's successor is elected and qualified or until such director's earlier resignation or removal. We have six authorized members on our Board. The number of directors may be changed by our Board from time to time by resolution of a majority of the authorized directors, or by amendment of our bylaws by the affirmative vote of 66-2/3% of the outstanding voting stock of the Company, voting together as a single class.

At the Annual Meeting, six directors are to be elected to hold office for a one-year term and until their successors are elected and qualified. The nominees to the Board are Mr. Camillo Martino, Ms. Kyo-Hwa Chung, Mr. Melvin L. Keating, Mr. Young-Joon Kim, Dr. Ilbok Lee and Mr. Gary Tanner.

Information regarding the nominees and each continuing director is set forth below. Each of the nominees listed in the Proxy Statement has agreed to serve as a director if elected. If for some unforeseen reason a nominee becomes unwilling or unable to serve, proxies will be voted for a substitute nominee selected by the Board.

The following table sets forth certain information regarding our director nominees:

Name	Age	Position
Camillo Martino	61	Director, Non-Executive Chairman of the Board, Chair of the Compensation Committee and Member of the Audit Committee and the Nominating and Corporate Governance Committee
Kyo-Hwa (Liz) Chung	50	Director, Member of the Compensation Committee
Melvin L. Keating	76	Director, Chair of the Audit Committee and Member of the Nominating and Corporate Governance Committee
Young-Joon (YJ) Kim	58	Director, Member of the Risk Committee and Chief Executive Officer
Ilbok Lee	77	Director, Chair of the Nominating and Corporate Governance Committee and Member of the Risk Committee
Gary Tanner	70	Director, Chair of the Risk Committee and Member of the Audit Committee and the Compensation Committee

Camillo Martino, Non-Executive Chairman of the Board, Chair of the Compensation Committee and Member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Martino became our Non-Executive Chairman of the Board in June 2020 and director in August 2016. Mr. Martino currently also serves as a member of the board of directors for CXApp (formerly, KINS Technology Group) and Sensera Limited. Mr. Martino also serves as a member of the board of directors at multiple privately-held companies, including VVDN Technologies and Sakuu Corporation. Mr. Martino previously served as a director of Cypress Semiconductor from June 2017 through to April 2020 and was also the Chief Executive Officer of Silicon Image Inc. from January 2010 until the completion of its sale to Lattice Semiconductor Corporation in March 2015. From January 2008 to December 2009, Mr. Martino served as Chief Operating Officer of SAI Technology Inc., where he also served as a director from June 2006 to November 2010. From July 2005 to June 2007, Mr. Martino served as a director, the President and Chief Executive Officer of Cornice Inc. From August 2001 to July 2005, Mr. Martino served as the Executive Vice President and Chief Operating Officer at Zoran Corporation. Prior to that, Mr. Martino held multiple positions with National Semiconductor Corporation for a total of nearly 14 years, and in four different countries. Mr. Martino holds a Bachelor of Applied Science degree from the University of Melbourne and a Graduate Diploma from Monash University in Australia. Our Board has concluded that Mr. Martino should serve on the Board based upon his extensive experience advising technology companies.

Kyo-Hwa (Liz) Chung, Director, Member of the Compensation Committee. Ms. Chung was appointed as our director in July 2020 and to the Compensation Committee of the Board on January 5, 2022. Ms. Chung currently serves as the Director of Legal for Netflix Services Korea, a position she has held since April 2021. In March 2022, she was appointed as an outside director of NCSoft Corporation, a Korean video game developer and publisher listed on the Korea Exchange. Prior to Netflix Services Korea, Ms. Chung served as the Head of Corporate, External and Legal Affairs for Microsoft Korea from November 2018 until March 2021. Ms. Chung was with the Korean law firm Kim & Chang, from April 2003 until November 2018, most recently as a partner focusing on the areas of international disputes, government investigations and crisis management. During September 2008 to March 2009, Ms. Chung was engaged with the international law firm Skadden, Arps, Slate, Meagher & Flom LLP, as a visiting attorney at its New York office. Ms. Chung served as a judge on the Seoul Administrative Court from 2001 to 2003 and the Seoul Central District Court from 1999 to 2001. Ms. Chung received an LLM degree from Harvard Law School in 2008 and a Bachelor of Law degree from Korea University in 1996. Ms. Chung is licensed to practice law in Korea and New York. Our Board has concluded that Ms. Chung should serve on the Board based upon her extensive experience advising technology companies.

Melvin L. Keating, Director, Chair of the Audit Committee and Member of the Nominating and Corporate Governance Committee. Mr. Keating became our director in August 2016. Mr. Keating has served as a consultant, providing investment advice and other services to private equity firms and corporations, since November 2008. In addition, since September 2015, Mr. Keating serves as a director of Agilysys Inc., a leading technology company that provides innovative software for point-of-sale (POS), property management, inventory and procurement, workforce management, analytics, document management and mobile and wireless solutions and services to the hospitality industry. Previously, Mr. Keating served on the boards of directors of the following public companies: SPS Commerce, Inc. (2018-2019); Vitamin Shoppe, Inc. (2018-2019); Red Lion Hotels Corporation (2010-2017); and Harte Hanks, Inc. (2017-2020). Additionally, he also served on the boards of many other technology hardware companies, including, Tower Semiconductor; White Electronics; Integral Systems; and API Technologies. Mr. Keating holds a B.A. degree in Art History from Rutgers University (where he was a Henry Rutgers Scholar), an M.S. in Accounting (where he was a Shell Oil Fellow) and an M.B.A. in Finance (where he was a Benjamin Franklin Fellow) both from the Wharton School of the University of Pennsylvania. Our Board has concluded that Mr. Keating should serve on the Board based upon his extensive experience advising technology companies.

Young-Joon (YJ) Kim, Director, Member of the Risk Committee and Chief Executive Officer. Mr. YJ Kim became our Chief Executive Officer in May 2015 and has also served as a director on our Board since that time. In February 2020, Mr. Kim assumed the additional role of General Manager of the Display business to capitalize on attractive growth opportunities in OLED display and other relevant emerging markets. He also served as the acting General Manager of Foundry Services Group from January 2019 until the completion of the sale of the Foundry Services Group and the factory in Cheongju (''Fab 4'') on September 1, 2020. Mr. Kim joined our company in May 2013 and served as our Executive Vice President and General Manager, Display Solutions Division. He was promoted to Interim Chief Executive Officer in May 2014. Prior to joining our company, Mr. Kim held a variety of senior management roles at several global semiconductor firms. His past roles include marketing, engineering, product development and strategic planning, and his product expertise includes microprocessors, network processors, multi-core processors, FLASH, EPROM, analog, mixed-signal, sensors, 3G/4G/5G base stations, workstations and servers. Immediately before joining our company, Mr. Kim served as Vice President, Infrastructure Processor Division, and General Manager of the OCTEON Multi-Core Processor Group of Cavium, Inc., where he worked from 2006 to 2013. Prior to Cavium, Mr. Kim served as Core Team Lead and General Manager of the Tolapai Program at Intel Corporation from 2004 to 2006. In 1998, Mr. Kim co-founded API Networks, a joint venture between Samsung and Compaq, where he served as the head of product management, worldwide sales and business development for Alpha processors. Prior to API Networks, Mr. Kim served as Director of Marketing at Samsung Semiconductor, Inc. from 1996 to 1998. Mr. Kim began his career as a product engineer at Intel Corporation in 1988. Mr. Kim holds B.S. and M. Eng. degrees in Electrical Engineering from Cornell University. Our Board has concluded that Mr. YJ Kim is a valuable member of the Board based on his understanding of our company's products and technology as our Chief Executive Officer and his deep knowledge of the semiconductor industry.

Ilbok Lee, Director, Chair of the Nominating and Corporate Governance Committee and Member of the Risk Committee. Dr. Lee has been our director since August 2011. Dr. Lee was an advisor/consultant to the Configurable Mixed-signal Business Unit of Dialog Semiconductor, Inc., which acquired Silego Technology Inc., a semiconductor company from October 2017 to December 2018. Dr. Lee served as Executive Chairman of Silego from August 2016 to October 2017. Dr. Lee served as Silego's Chairman of the Board from March 2015 to August 2016 and as Silego's Chief Executive Officer from Silego's inception in October 2001 until August 2016. From April 1999 to September 2001, Dr. Lee served as Senior Vice President and General Manager of the Timing Division at Cypress Semiconductor Corp., a public semiconductor company, and from May 1992 to March 1999 served as President and Chief Executive Officer of IC Works, Inc., a semiconductor company he co-founded that was acquired by Cypress in 2001. Dr. Lee co-founded Samsung Semiconductor, Inc. (U.S.A.) in July 1983 and served in various positions at the Company, including President and Chief Executive Officer, until May 1992. Prior to Samsung, Dr. Lee served in various technical and managerial positions at Intel and National Semiconductor. Dr. Lee served as a member of the board of directors for Sierra Monolithic, a privately held semiconductor company, from 2002 through 2009. Dr. Lee also served on the board of directors of two public companies: ESS Technology and V3 Semiconductor. Dr. Lee received a Ph.D. and M.S.E.E. from the University of Minnesota and a B.S.E.E. from Seoul National University. Our Board has concluded that Dr. Lee should serve on our Board based upon his extensive experience in the semiconductor industry.

Gary Tanner, Director, Chair of the Risk Committee and Member of the Audit Committee and the Compensation Committee. Mr. Tanner became our director in August 2015. Mr. Tanner also served as our Non-Executive Chairman of the Board from September 2016 to November 2018. Mr. Tanner served as a director of Winstek Semiconductor Corp. which is listed on the Taiwan Stock Exchange (OTC) from September 2015 until November 2017 when majority ownership of Winstek Semiconductor was acquired by Siguard Corporation. Mr. Tanner served as Executive Vice President and Chief Operations Officer of International Rectifier Corporation from January 2013 to July 2015. Mr. Tanner also served as a director at STATS ChipPac Ltd. from July 2012 until August 2015. Prior to joining International Rectifier Corporation, Mr. Tanner was the principal in GWT Consulting and Investments LLC, a firm that provided consulting services to International Rectifier Corporation from January through December 2012. Mr. Tanner previously served as Chief Executive Officer at Zarlink Semiconductor, Inc. (“Zarlink”), from May 2011 to October 2011, at which point Zarlink was acquired by Microsemi Corporation. Prior to his role as Chief Executive Officer of Zarlink, from November 2009 to May 2011, Mr. Tanner served as Chief Operating Officer at that company. Mr. Tanner joined Zarlink in August 2007 as Senior Vice President of Worldwide Operations via the acquisition of Legerity, Inc., where Mr. Tanner served as the Vice President of Operations from November 2002 until August 2007. Before Legerity and Zarlink, Mr. Tanner worked for nine years at Intel Corporation, where he held various positions managing domestic and international manufacturing operations. Prior to Intel, Mr. Tanner held various management positions in fab operations at National Semiconductor, Texas Instruments and NCR Corporation. Our Board has concluded that Mr. Tanner should serve on the Board based upon his extensive experience in the semiconductor industry.

THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

The Board reviews the independence of each director annually. In determining the independence of our directors, our Board considered Section 303A of the NYSE listing standards and broadly considered the materiality of each director's relationship with us. Based upon the foregoing criteria, our Board has determined that the following directors are independent: Mr. Martino, Ms. Chung, Mr. Keating, Dr. Lee and Mr. Tanner.

Board Meetings

The Board held 14 meetings during fiscal year 2022. None of the directors attended fewer than 92 percent of the aggregate number of Board meetings and meetings of committees of the Board on which each of them served.

Attendance at Annual Meeting

The Company's Corporate Governance Guidelines as currently in effect provide that all directors shall make every effort to attend the Company's annual meeting of stockholders. In 2022, all of our directors attended our Annual Meeting of Stockholders.

Committees

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Risk Committee. The Board establishes ad hoc committees from time to time on an as-needed basis. As announced in the Company's Current Report on Form 8-K on August 8, 2022, the Board activated the Strategic Review Committee, consisting of Mr. Keating, as Chair, Dr. Lee, Mr. Martino and Mr. Tanner, to assist the Board in reviewing, considering, exploring and evaluating strategic alternatives that may be available to the Company to maximize shareholder value.

The Board has adopted written charters for the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee. These charters, as well as our Code of Business Conduct and Ethics and our Corporate Governance Guidelines, are posted and available on our website at *https://investors.magnachip.com/corporate-governance/highlights*. The information on or accessible through our website is not a part of or incorporated by reference into this Proxy Statement.

Audit Committee

Our Audit Committee consists of Mr. Keating, as Chair, Mr. Martino and Mr. Tanner. Our Board has determined that Mr. Keating is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act of 1933, as amended. Our Board has also determined that each of Mr. Keating, Mr. Martino and Mr. Tanner is independent as that term is defined in Section 303A of the New York Stock Exchange ("NYSE") listing standards and Rule 10A-3 promulgated under the Exchange Act of 1934, as amended (the "Exchange Act").

The Audit Committee held 10 meetings in fiscal year 2022. The primary purpose of the Audit Committee is to assist our Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to the public, the SEC and any other governmental regulatory body, and on the Company's compliance with other legal and regulatory requirements. The Audit Committee is responsible for the appointment, retention, review and oversight of the Company's independent auditor, and the review and oversight of the Company's internal financial reporting, policies and processes. The Audit Committee is also responsible for reviewing related party transactions, risk management, and legal and ethics compliance.

Compensation Committee

Our Compensation Committee consists of Mr. Martino, as Chair, Ms. Chung and Mr. Tanner. Our Board has determined that each of Mr. Martino, Ms. Chung and Mr. Tanner is independent under applicable NYSE listing standards.

The Compensation Committee held 7 meetings in 2022. The Compensation Committee has the overall responsibility for evaluating and approving our executive officer and director compensation plans, policies and programs, as well as all equity-based compensation plans and policies. In March 2016, the Board created the Employee Equity Committee and delegated to it the authority to determine the recipients, amounts and timing of awards under the Company's equity-based compensation plans within the parameters established by the Board.

On April 13, 2023, the Board adopted the amended and restated Charter of the Compensation Committee, assigning to the Compensation Committee the responsibility of periodically reviewing and advising the Board concerning the Company's human capital strategies, initiatives and programs with respect to the Company's culture, talent, recruitment, retention, employee engagement, and employee diversity, equity and inclusion efforts.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Dr. Lee, as Chair, Mr. Keating and Mr. Martino. Our Board has determined that each of Dr. Lee, Mr. Keating and Mr. Martino is independent under applicable NYSE listing standards.

The Nominating and Corporate Governance Committee held 5 meetings in 2022. The Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, recommends director nominees, recommends Board members for committee membership, develops and recommends corporate governance principles and practices and director orientation and continuing education, oversees the evaluation of our Board and its committees and formulates a description of the skills and attributes of desirable Board members. The Nominating and Corporate Governance Committee will also consider candidates recommended by our stockholders so long as the proper procedures are followed.

Our bylaws provide that stockholders seeking to nominate candidates for election as directors at an annual meeting must provide timely notice of such nominations in writing. To be timely, a stockholder's notice generally must be received in writing at the Company's offices at Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581, Attention: Secretary, not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Company's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 days earlier or later than such anniversary date, notice by the stockholders to be timely must be received not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the date on which public announcement of the date of such meeting is first made. A stockholder's notice must set forth, among other things;

- the name and address of the stockholder who intends to make the nomination, and the names and addresses of the beneficial owners, if any, on whose behalf the nomination is being made and of the person or persons to be nominated;
- a representation that the stockholder is a holder of record of stock of the Company entitled to vote for the election of Directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;
- certain information regarding the ownership and other interests of the stockholder or such other beneficial owner;
- a description of all arrangements or understandings between the stockholder or such beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;
- a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and such other beneficial owner, if any, and their respective affiliates and associates and each proposed nominee;
- certain other information regarding each nominee proposed by such stockholder as would be required to be included in a Proxy Statement filed pursuant to the proxy rules of the SEC; and
- the consent of each nominee to serve as a director of the Company if so elected.

A stockholder must also comply with all other applicable requirements of the Exchange Act and the rules and regulations under the Exchange Act with respect to matters relating to nominations of candidates for directors. The preceding is a summary of the stockholder nomination procedures set forth in our bylaws as currently in effect, and we refer our stockholders to the full text of Section 2.15 of our bylaws and such other applicable provisions of our bylaws as in effect from time to time for the specific requirements of such director nomination procedures by stockholders.

In addition to the formal procedures set forth in our bylaws for the nomination of directors by stockholders, the Nominating and Corporate Governance Committee has adopted a Policy Regarding Director Nominations pursuant to which it may from time to time evaluate candidates for nomination as director that come to its attention through incumbent directors, management, stockholders or third parties. Such informal recommendations by stockholders should be directed to the attention of the Nominating and Corporate Governance Committee as set forth below under "—Communications with Directors." The Nominating and Corporate Governance Committee has and may in the future, if it deems appropriate under the circumstances, engage a third-party search firm to assist in identifying qualified candidates.

The Nominating and Corporate Governance Committee seeks director candidates who possess high quality business and professional experience, possess the highest personal and professional ethics, integrity and values, and who have an inquisitive and objective perspective and mature judgment. Director candidates must also be committed to representing the best interests of our stockholders and have sufficient time available in the judgment of the Nominating and Corporate Governance Committee to perform all Board and committee responsibilities. The Nominating and Corporate Governance Committee has no formal policy on diversity in identifying potential director candidates, but does regularly assess the needs of the Board for various skills, background and business experience in determining if the Board requires additional candidates for nomination.

Risk Committee

Our Risk Committee consists of Mr. Tanner, as Chair, Mr. YJ Kim and Dr. Lee. The Risk Committee held 5 meetings in 2022. The Risk Committee assists the Board in its oversight of the Company's management of key risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks. The Risk Committee's primary responsibility is to oversee and approve the implementation of Company-wide risk and crisis management best practices. Other responsibilities of the Risk Committee include providing input to management in identifying, assessing, mitigating and monitoring enterprise-wide risks the Company faces, including cybersecurity risks, and reviewing the Company's business practices, compliance activities and enterprise risk management and making recommendations to the Board related to such review.

On February 10, 2023, the Board adopted the amended and restated Charter of the Risk Committee, assigning to the Risk Committee the responsibility of overseeing the Company's corporate objectives, goals, strategies and initiatives relating to, and attending risks associated with, environmental, social and governance ("ESG") matters, including corporate social responsibility, sustainability, public policy and other related matters ("ESG Matters"). Accordingly, our Risk Committee has been engaged in reviewing and assessing our capabilities in compliance with ESG standards and regulations and working with the Company to improve disclosure and transparency relating to the Company's ESG profile.

Board Leadership Structure

Separation of Chairperson and Chief Executive Officer

Our Corporate Governance Guidelines state that the Board shall elect its Chairperson and appoint the Company's Chief Executive Officer according to its view of what is best for the Company at any given time. The Board does not believe there should be a fixed rule as to whether the offices of Chairperson and Chief Executive Officer should be vested in the same person or two different persons, or whether the Chairperson should be an employee of the Company or should be elected from among the non-employee directors. The needs of the Company and the individuals available to play these roles may dictate different outcomes at different times, and the Board believes that retaining flexibility in these decisions is in the best interest of the Company.

Currently, Mr. Martino serves as the Company's Chairman of the Board, and Mr. YJ Kim serves as the Company's Chief Executive Officer. The Board may, however, make changes to its leadership structure in the future as it deems appropriate.

Lead Director

In the event that positions of Chairperson and Chief Executive Officer are held by the same person, on an annual basis the independent members of the Board will select a lead director from the independent directors then serving on the Board (the ''Lead Director''). As a general matter, there will be no Lead Director if the positions of Chairperson and CEO are not held by the same person and the Chairperson is an independent director. The length of service as Lead Director is subject to the Board's discretion, but will be a minimum of one year. The Lead Director has the authority to call meetings of the independent directors.

Executive Sessions of the Board

The Company's non-management directors meet at regularly scheduled Board meetings in executive session without management present. In 2022, the Chairman of the Board presided over the meetings of the non-employee directors. In addition, in accordance with our Corporate Governance Guidelines, the independent members of the Board meet at least twice a year in executive session, with the Chairperson setting the agenda and presiding over such meetings.

Presiding Director

In accordance with our Corporate Governance Guidelines, the presiding director of the Board is the Chairman of the Board, if present, or in such person's absence and if applicable, the Lead Director, or in such person's absence, the Audit Committee Chairman, or in such person's absence, the independent director present who has the most seniority on the Board. The presiding director presides at all meetings of the Board and is responsible for chairing the Board's executive sessions.

Board Role in Risk Oversight

Our Board is responsible for overseeing our management of risk. The Board created a Risk Committee to assist in overseeing management's identification and evaluation of key enterprise risks to the Company, as well as guidelines, policies and processes for monitoring and mitigating such risks. In particular, the Risk Committee focuses on strategic enterprise risks, including risks associated with intellectual property; business operations and disaster recovery capabilities; and data security, privacy, technology and information security policies, procedures, and internal controls, including those related to cybersecurity and cyber incident responses and reporting procedures.

Our Board also fully understands its duties to navigate the challenges presented by climate change, social injustice, inequality, and numerous other issues that are fundamental to the success and sustainability of the Company. We are committed to sustainable business practices to advance our long-term ambitions as well as to mitigate business risks. Our Risk Committee oversees the Company's objectives, goals, strategies and initiatives relating to ESG Matters and the related impacts and risks related thereto.

Company management reports on a quarterly basis to the Risk Committee their assessment of key enterprise risks across multiple categories and mitigation plans for those that fail to meet relevant tolerance standards established from time to time. During quarterly Risk Committee meetings, the members of the Risk Committee review management's assessment report and discuss with management measures to be implemented to better control against existing risks and identify emerging risks. For example, the Risk Committee may consider replacing specific existing risk categories, adding new risk categories, or adjusting the tolerance standards of risks to preemptively respond to changes in the Company's business and the environment in which we operate.

The Risk Committee works closely with Theodore Kim, our Chief Compliance Officer, who was appointed by our Chief Executive Officer as the Company's Risk Officer, with respect to the above-described oversight. In this capacity, Mr. Kim reports directly to the Risk Committee, the Board as a whole and the Company's Chief Executive Officer. The Risk Committee may discuss certain risks with the Audit Committee or the Board if certain material disclosure issues arise. The Risk Committee and the Company have engaged outside experts from time to time to obtain assistance with the identification and mitigation of key risks.

Our Audit Committee also has certain statutory, regulatory and other responsibilities with respect to oversight of risk assessment and risk management. Specifically, the Audit Committee is responsible for overseeing policies with respect to financial risk assessment and those other items specifically set forth in our Audit Committee charter. The Risk Committee coordinates with the Audit Committee as necessary and appropriate to enable the Audit Committee to perform its responsibilities.

The Board's other independent committees also oversee risks associated with their respective areas of responsibility. For example, the Compensation Committee considers the risks to our business associated with our compensation policies and practices, with respect to both executive compensation and compensation generally.

Our Board believes that our compensation programs are designed such that they will not incentivize unnecessary risk taking. The base salary component of our compensation program is a fixed amount and does not depend on performance. Payout levels under our cash incentive program are generally capped and payout opportunities may generally be achieved on a straight-line interpolation basis between threshold and target levels, and between the target and maximum levels. Our equity awards are limited by the terms of our equity plans to not more than a fixed maximum amount specified in the plan, and are subject to vesting to align the long-term interests of our executive officers with those of our stockholders. Our Board adopted a clawback policy to provide for the recoupment of certain executive compensation in the event of an accounting restatement resulting from the Company's material noncompliance with financial reporting requirements under the federal securities laws. See "Executive Compensation—Compensation Discussion and Analysis—*Clawback Policy*" contained elsewhere in this Proxy Statement.

Director Orientation and Continuing Education

Our Nominating and Corporate Governance Committee oversees the orientation process for new members of our Board to ensure that they are familiar with the Company's operations, financial matters, corporate governance practices and other key policies and practices through the preparation and review of background material and management meetings as appropriate. In addition, our Nominating and Corporate Governance Committee seeks to identify and encourage training and continuing education opportunities for all directors in order to improve both our Board and its committees' performance. Senior management assist in identifying and advising our directors about opportunities for continuing education, including conferences provided by independent third parties. In furtherance of these efforts, the Company maintains membership for each Company director in the National Association of Corporate Directors (NACD), which provides corporate governance resources, education, information, and research on leading Board practices.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. We will provide a copy of our Code of Business Conduct and Ethics without charge to any person upon written request made to our Secretary at Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581. Our Code of Business Conduct and Ethics is also available on our website at *https://investors.magnachip.com/corporate-governance/highlights*. We will disclose any waivers or amendments to the provisions of our Code of Business Conduct and Ethics on our website.

Report of the Audit Committee

The Audit Committee has reviewed and discussed with our management and Samil PricewaterhouseCoopers, our independent registered public accounting firm, our audited financial statements contained in our Annual Report to Stockholders for the year ended December 31, 2022. The Audit Committee has also discussed with our independent registered public accounting firm the matters required to be discussed under Public Company Accounting Oversight Board standards.

The Audit Committee has received and reviewed the written disclosures and the letter from Samil PricewaterhouseCoopers required by applicable requirements of the Public Company Accounting Oversight Board regarding Samil PricewaterhouseCoopers's communications with the Audit Committee concerning independence, and has discussed with Samil PricewaterhouseCoopers its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board (and the Board subsequently approved the recommendation) that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on February 22, 2023.

Audit Committee:

Melvin L. Keating, Chair
Camillo Martino
Gary Tanner

Communications with Directors

A stockholder or other interested party who wishes to communicate directly with the Board, a committee of the Board, the non-management or independent directors as a group, or with the Chairman of the Board or any other individual director, regarding matters related to the Company should send the communication to:

Board of Directors
or Chairman, individual director, committee or group of directors
Magnachip Semiconductor Corporation
c/o Magnachip Semiconductor, Ltd.
Corporate Secretary
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581

We will forward all stockholder and other interested party correspondence about the Company to the Board, a committee of the Board, the non-management or independent directors as a group, or an individual director, as appropriate. Please note that we will not forward communications that are spam, junk mail or mass mailings, resumes and other forms of job inquiries, surveys and business solicitations or advertisements.

Human Capital Management

Our Company strives to accelerate the advancement of technology to empower the makers of tomorrow, and we recognize that it is our employees who make this happen. Our goal is to enable our employees to leverage their extensive expertise in engineering, design and process to accelerate the advancement of our technology, allowing us to compete globally and to be leaders in our industry. To that end, we are committed to fostering employee talent, cultivating a culture and environment that is open, productive and fair, in which all of our employees feel safe, valued, and respected and in which our employees are empowered to achieve their full potential.

We understand that our success across a broad range of human capital related areas of focus at all levels of our organization is important to serving the long-term interests of our stockholders, and we have been working to improve our disclosure and transparency on this topic, to ensure that our strategy and approach to human capital management is communicated to our stockholders effectively. In addition to the disclosure contained within this Proxy Statement, information regarding our approach to human capital management, including related policies and programs, is highlighted in the ''Human Capital'' section of our 2022 Annual Report, which accompanies this Proxy Statement, and the ''About Us'' section of our website.

As a global semiconductor company headquartered in Korea, our Company, including our Board and our employee workforce, is reflective of the broader population of the country in which we are based. Our worldwide workforce consisted of 897 employees (full- and part-time) as of December 31, 2022, of which 866 are located in Korea. Of our worldwide workforce, 202 were involved in sales, marketing, general and administrative, 222 in research and development (including 87 with advanced degrees), 44 in quality, reliability and assurance, and 429 in manufacturing (comprised of 46 in engineering and 383 in operations, maintenance and others). Because we are headquartered in Korea, we are not subject to EEO-1 (Equal Employment Opportunity) reporting.

As a global competitor, we believe that our success is tied to our ability to attract and retain talent at all levels of our organization, including our Board, that is reflective of our employees, our communities of operation and our customers. As a result, we place great importance on inclusion and diversity within the workplace, we aim to create a workplace where all employees feel valued and respected, and we promote the culture of more female voices. Currently, women represent approximately 22% of our executive management team, comprised of the CEO, the CFO, the CCO and the respective heads of Worldwide Sales, Display, Power, Manufacturing, Corporate Strategy and Human Resources.

The market in which we compete is constantly evolving, which requires continuous innovation and agility to remain competitive, and requires us to attract and retain a highly skilled workforce. We compete based on design experience, manufacturing capabilities, the ability to satisfy customer needs from the design phase through the shipping of a completed product, length of design cycle and quality of technical support and sales personnel. Some of our human capital management related policies and programs supporting our workforce are highlighted below.

Competitive Compensation and Pay Equity

- We periodically evaluate market practices for compensation and benefits, including with respect to job function, role and responsibility, job level and region, and regularly review whether our compensation levels and distribution methods are fair and equitable.
- We offer cash and equity-based compensation programs to incentivize achievement of our short-term financial, operational and strategic goals, as well as long-term value creation, and to attract and retain the highly skilled workforce necessary for our success.
- We offer various employee benefits under the company philosophy that ensuring employees enjoy a happier life with their families is as critical as promoting their own health and well-being. Consistent with local practice, all employees have access to annual health examination programs. Employees also have access to other benefits, as applicable, such as health examination for spouse, personal pensions, housing assistance, medical reimbursement plans and educational assistance programs.

Growth and Development

- Talent pipeline development strategy: We have adopted a structured approach to identifying, training, mentoring and developing talented individuals within the organization, with the goal of ensuring a steady supply of skilled and competent employees to fill key roles now and in the future, in order to achieve our long-term strategic goals and drive long-term stockholder value.
- Graduate traineeship/apprenticeship program: Designed for recent university graduates who are looking to gain practical work experience in their chosen field, our program involves a combination of classroom training and on-the-job learning, where trainees work alongside experienced professionals to gain hands-on experience.
- Specialized staff training programs: We offer step-by-step training courses specifically designed for the semiconductor industry to help employees build their job expertise through partnership with educational institutions focused on education and research in semiconductors, with the goal of training future experts in the industry. We also offer soft skills training for non-technical competencies that are essential for job success, including communication, teamwork and problem-solving.
- Regular performance appraisal and feedback: Performance appraisal and feedback processes are conducted annually using the MBO (Management by Objectives) method for employees' development, growth and performance improvement.

  As part of our strategy for employee retention, training and advancement at all levels, through our annual performance review process we evaluate all employees with the intent to capture employee potential, based on considerations related to three primary factors:

  - Aspiration (advancement, training and development and overall job satisfaction);
  - Engagement (retention and emotional commitment to the organization); and
  - Ability (including job performance, emotional intelligence and interpersonal skills).

  Managers are also encouraged to deliver informal feedback throughout the year, to ensure that employees have an opportunity to improve their performance and are aware of training or development opportunities.
- R&D reward program: To ensure R&D technical professionals continue to advance their skills and knowledge, we have technology committees that attend regular seminars and conduct periodic research. We have a reward program for exemplary research.

Culture and Employee Engagement

- Engagement and satisfaction surveys: Employee surveys are conducted regularly to gain valuable insight into how employees feel about their job, their work environment and the Company as a whole. Areas surveyed include opportunities for employee engagement, job satisfaction, communication, work-life balance and compensation. Survey results are communicated to both management and employees, and we develop action plans to address any areas identified as needing improvement.
- Grievance reporting and escalation procedures: We are committed to promoting open and honest lines of communication, and we strive to provide a work environment where every employee believes that they can raise concerns without fear of retaliation. To ensure that each employee feels comfortable raising questions and concerns, we provide an online reporting tool, which can be found in the Ethics and Compliance section of our website. Reporting and escalation procedures have been adopted to address and resolve complaints or grievances raised by employees in a structured and systematic manner. Procedures are followed in a predetermined sequence to ensure that each grievance is addressed in a fair, consistent and timely manner, and that all parties involved are treated with respect. We do not tolerate retaliation against anyone who discloses actual or suspected ethical, legal or regulatory violations in good faith. Our hotline is available to anyone, including employees, contractors, customers, suppliers, who wishes to report potential misconduct. All submissions will be treated confidentially, and may be provided anonymously where permitted by law.

Safety

We appreciate the fact that our employees constitute one of the most critical assets of Magnachip, and therefore, their safety and wellness are key factors to our success. We have a dedicated Environmental Health & Safety ("EHS") team that establishes and reviews internal EHS regulations based on international agreements as well as local laws and regulations. Our EHS team is also responsible for identifying, evaluating and improving EHS issues within the overall manufacturing process to ensure a safe and comfortable work environment. Magnachip has implemented and maintains an Occupational Health and Safety Management System as well as an Environmental Management System. Our sites are certified to the internationally recognized ISO 45001 and ISO 14001 standards.

In January 2021, the Korean legislature enacted the Serious Accident Punishment Act ("SAPA"), which imposes criminal liability on individuals and entities responsible for "serious accidents," including industrial accidents that cause death, serious injury or occupational illness. SAPA essentially requires enterprises to establish relevant standards and measures to ensure a certain level of operational safety, including the health and safety of all employees. SAPA went into effect in January 2022, and in connection therewith, we appointed Mr. Seunghoon Lee as the Chief Safety Officer of our Korean operating subsidiary, who then formed a dedicated team to evaluate, improve and monitor the policies, practices, standards and systems relating to health and safety to ensure compliance with SAPA. Mr. Lee, who has over 35 years of manufacturing and industrial EHS experience at Magnachip, concurrently serves as the Chief of Manufacturing of our Korean operating subsidiary.

Policy Statement

Magnachip adheres to human rights and labor standards of international labor organizations, such as the United Nations and the International Labor Organization. Magnachip prohibits all forms of discrimination based on gender, race, nationality, religion and age to ensure that all employees work in a safe and fair environment. These values are embedded in our policies:

- Labor and Ethical Management
- Equal Employment Policy
- Training and Education Policy
- Code of Business Conduct and Ethics

2022 Director Compensation

Each of our non-employee directors was eligible to earn a quarterly cash retainer, additional fees based on committee service and equity awards in 2022 pursuant to our director compensation policy, which is described in further detail below. All such cash fees are paid quarterly in advance. A non-employee director who joins the

Board after the beginning of a quarter receives a prorated cash retainer reflecting his or her actual period of Board and committee service for such quarter and a non-employee director who joins the Board after the beginning of the Company's annual director service period receives a pro-rated equity award reflecting his or her actual period of Board and committee service during such annual service period.

Cash Compensation

In 2022, our non-employee directors were eligible to receive the following types of cash compensation for their services on the Board.

- Quarterly Board Service Retainer (all non-employee directors): $18,750
- Quarterly Chair Service Fees:
  - Chairperson of the Board: $18,750
  - Chair of our Audit Committee: $6,250
  - Chair of our Compensation Committee: $3,750
  - Chair of our Nominating and Corporate Governance Committee: $2,500
  - Chair of our Risk Committee: $2,500
- Quarterly Committee Member (non-Chair) Service Fees:
  - Audit Committee: $3,750
  - Compensation Committee: $2,500
  - Nominating and Corporate Governance Committee: $1,250
  - Risk Committee: $1,250.

Our director compensation policy also provides that the Lead Director of the Board, if any, would receive an additional cash fee of $11,250 per quarter. No Lead Director was appointed for 2022.

Equity Compensation

In 2022, our non-employee directors were also eligible to receive the following types of equity awards for their service on the Board:

- *Annual Equity Awards*: Each non-employee director was eligible to receive a restricted stock unit ("RSU") award having a grant date fair value equal to $165,000. In addition, each non-employee director was eligible to receive an RSU award having a grant date fair value equal to $20,000 for such director's service as the Chair of the Board's Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Risk Committee, as applicable; and an RSU award having a grant date fair value equal to $10,000 for such director's service as a non-Chair member of the Board's Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Risk Committee, as applicable. Each RSU award vests in full on the earlier of (x) the first anniversary of the date of grant, and (y) the meeting date of the Annual Meeting of Stockholders that occurs in the year following the year in which the RSU is granted, with such grants being made on the earlier of (A) the meeting date of the Company's Annual Meeting of Stockholders for such year and (B) August 31 of such year. Vested RSUs settle as soon as administratively practicable following the date the non-employee director's service terminates for any reason.
- *Initial Equity Awards*: If a non-employee director's initial appointment to the Board or a Board committee occurs other than at an Annual Meeting of Stockholders, such director will be granted pro-rated RSU awards having an aggregate grant date fair value equal to (x) the applicable grant date fair value amount for applicable Board or committee membership described above, multiplied by (y) the quotient obtained by dividing the number of days elapsed from the date of initial appointment to the date of the Company's next Annual Meeting of Stockholders (or, if earlier, August 31 of such year), by 365, with such grants to vest in full on the date of the Company's next Annual Meeting of Stockholders (or, if earlier, August 31 of such year).

All non-employee director equity awards will be granted under the Company's equity incentive plan in effect at the time of such grants. Non-employee directors are subject to our Stock Ownership Policy, as described under the heading "Stock Ownership Guidelines".

The following table sets forth the total compensation earned by our non-employee directors during the year ended December 31, 2022. Mr. YJ Kim, our Chief Executive Officer, does not earn any fees for his service on the Board.

2022 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	All Other Compensation ($)	Total ($)
Liz Chung	84,889	171,253	—	256,142
Melvin Keating	105,000	183,500	—	288,500
Ilbok Lee	90,000	183,500	—	273,500
Camillo Martino	185,000	192,920	—	377,920
Gary Tanner	110,000	192,920	—	302,920

(1) Consists of the amount of cash compensation earned in 2022 for Board service and committee service as described in the table below.

Name	Board Retainer ($)	Chair Service Fees ($)	Committee Service Fees ($)	Total ($)
Liz Chung	75,000	—	9,889	84,889
Melvin Keating	75,000	25,000	5,000	105,000
Ilbok Lee	75,000	10,000	5,000	90,000
Camillo Martino	75,000	90,000	20,000	185,000
Gary Tanner	75,000	10,000	25,000	110,000

(2) The amounts reported represent the aggregate grant date fair value of the RSUs awarded to the directors, calculated in accordance with FASB ASC Topic 718. Such aggregate grant date fair values do not take into account any estimated forfeitures related to service vesting conditions. The amounts reported in this column reflect the accounting cost for these RSUs and do not correspond to the actual economic value that may be received by the directors upon vesting and/or settlement of the RSUs.

(3) As of December 31, 2022, the number of outstanding stock options and RSU awards held by our non-employee directors who served during 2022 were as follows:

Name	RSUs (#)	Stock Options (#)
Liz Chung	25,236	—
Melvin Keating	93,688	49,737
Ilbok Lee	100,002	179,593
Camillo Martino	94,998	49,737
Gary Tanner	103,884	93,117

As of December 31, 2022, the following number of RSUs included in the table above were vested but not yet settled under the terms of the applicable RSU agreements: Ms. Chung—12,946 RSUs; Mr. Keating—79,994 RSUs; Dr. Lee—86,308 RSUs; Mr. Martino—80,601 RSUs; and Mr. Tanner—89,487 RSUs. Stock options were last granted to our non-employee directors under our director compensation policy in effect in 2017. Please see the section entitled "Security Ownership of Certain Beneficial Owners and Management" for additional information regarding all shares of Common Stock beneficially owned by our non-employee directors.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee has been an officer or employee of our Company during the last fiscal year. During 2022, decisions regarding executive officer compensation were made by our Compensation Committee. Mr. YJ Kim, our Chief Executive Officer, participated in the deliberations of our Compensation Committee regarding the determination of the compensation of our executive officers other than himself for 2022 and prior periods. None of our executive officers currently serves, or in the past has served, as a member of the Board or the compensation committee of another entity that has one or more executive officers serving on our Board.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes and analyzes our executive compensation program for the following executive officers who served the Company in 2022 (collectively, our ''named executive officers''):

- Young-Joon Kim, our Chief Executive Officer (''CEO'');
- Shin Young Park, our Chief Financial Officer (''CFO'');
- Theodore Kim, our Chief Compliance Officer, Executive Vice President, General Counsel and Secretary (''CCO'');
- Woung Moo Lee, our Executive Vice President and General Manager of Display Solutions and Worldwide Sales (''GM of Display and WW Sales''); and
- Chan Ho Park, our General Manager of Power Solutions (''GM of Power'').

Compensation Philosophy and Objectives

The Compensation Committee of our Board has primary responsibility for developing and maintaining a compensation program for our senior management, including our named executive officers.

The Compensation Committee believes that our executive compensation program should play a key role in our operating and financial success, and has worked with outside legal counsel and Compensia Inc. (''Compensia''), a national compensation consulting firm, to develop a comprehensive executive compensation program that is intended to attract and retain talent with competitive compensation, and further align the interests of our executive officers with our stockholders by linking a significant component of executive compensation to variable cash-based compensation tied to the achievement of our short-term financial, operational and strategic goals, as well as equity-based compensation tied to the achievement of our long-term strategic goals that in turn lead to stockholder value creation. As part of our ''Pay for Performance'' philosophy described below, the Committee believes it is important to maintain a compensation program that includes significant ''at risk'' compensation and performance-focused equity awards. In 2022 approximately 89% of our CEO's target total direct compensation and approximately 73% of the average target total direct compensation of our other named executive officers was delivered in the form of variable or ''at risk'' compensation tied to Company or stock price performance.

In light of the highly competitive market in which we compete for business, and our dependence on the highly skilled workforce that is necessary in order to innovate and compete in that market, the Compensation Committee believes that our ability to attract and retain talent at all levels of the Company is critical to our long-term success. In view of our unique situation in that all of our senior executives live and work in South Korea (herein referred to as ''Korea''), we offer competitive expatriate benefits intended to minimize adverse tax and financial impacts associated with our CEO's and CCO's expatriate assignments, because they are subject to taxation in both the U.S. and Korea. More information about our human capital management strategy and approach can be found under the heading ''Human Capital Management'' on page 13.

Key 2022 Compensation Decisions

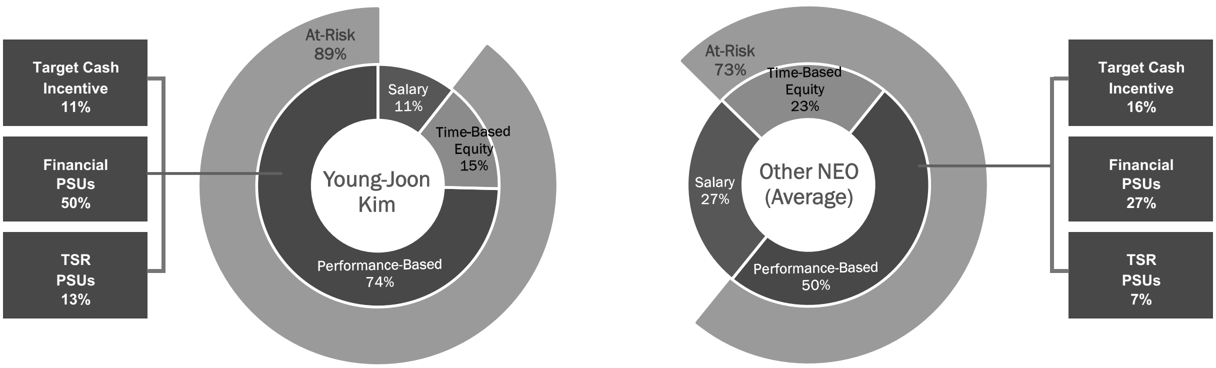
The Compensation Committee made the following key compensation decisions in respect of fiscal year 2022:

- Entered into an executive service agreement with Ms. Park in connection with her appointment as CFO effective January 1, 2022;
- Increased the annual base salary of our named executive officers effective January 1, 2022. The increases ranged from 0.5% to 6.1% with a view toward remaining competitive with our peers, except our CFO's salary was increased by 14.2% to reflect her increased responsibilities in connection with her promotion to CFO;
- Awarded retention bonuses to ensure the continued retention of key executives and employees in what remains a tight market for talent and to reward substantial individual contributions in connection with the previously contemplated merger with an affiliate of Wise Road Capital LTD; and

- Granted annual equity awards to our key executives using a combination of performance-based stock units ("PSUs") (based on both relative total stockholder return ("TSR") and financial performance goals) and RSUs, consistent with our practice in prior years.

"Pay for Performance" Philosophy

As illustrated below, our target total direct compensation, which is the sum of base salary, target short-term cash incentive bonus opportunity and the aggregated target value of long-term equity awards granted under our 2020 Equity and Incentive Compensation Plan, was weighted heavily towards variable performance-based compensation.



- Approximately 89% of our Chief Executive Officer's target total direct compensation and approximately 73% of the average target total direct compensation of our other named executive officers was delivered in the form of variable or "at risk" compensation tied to Company, individual, or stock price performance;
- Long-term equity awards (the ultimate value of which depends on our stock price) continued to be the largest element of compensation, representing approximately 78% of our Chief Executive Officer's target total direct compensation and approximately 57% of the average target total direct compensation of our other named executive officers; and
- The target annual (short-term) cash incentives payable to our named executive officers were tied to the pre-established performance goals and/or criteria under our short-term incentive program.

Executive Compensation-Related Policies and Practices

We endeavor to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards, consistent with our pay for performance philosophy. The following summarizes our executive compensation and related governance policies and practices:

	What We Do
• **Pay-for-Performance Philosophy**	A significant portion of our named executive officers' compensation is directly linked to corporate performance. We structure target total direct compensation with a significant long-term equity component in the form of RSUs and PSUs, thereby making a vast majority of each named executive officer's target total direct compensation dependent upon our corporate performance, stock price and/or total shareholder return.
• **Performance-Based Equity Awards**	Our CEO and our other named executive officers receive performance-based equity awards in the form of PSUs that vest based on the achievement of financial goals and relative TSR performance.
• **"Double Trigger" Change in Control Arrangements**	With the exception of our PSU awards that vest at target level upon a change in control, our change in control compensation arrangements include a "double trigger" provision that requires both a change in control of the Company plus a qualifying termination of employment before payments and benefits are paid. It is our expectation that all future RSUs and PSUs will be structured with the same format.

	What We Do
• **Human Capital Management and Succession Planning**	We provide opportunities for training and advancement to all employees as part of our human capital management program. Furthermore, we conduct succession planning and executive assessments for all key employees to ensure orderly succession plans are in place.
• **Independent Compensation Committee**	The Compensation Committee consists solely of independent directors.
• **Compensation Recovery (“Clawback”) Policy**	We have a policy providing for the recovery of certain cash incentive compensation and equity or equity-based awards from our CEO and other executive officers (including our other named executive officers).
• **Stock Ownership Guidelines**	We maintain stock ownership guidelines for our CEO, our other executive officers (including our other named executive officers) and the non-employee members of our Board.
• **Equity Award Grant Policy**	Equity awards are granted in accordance with our Equity Award Grant Policy. We do not have any program, practice or plan to time equity awards in coordination with the release of material non-public information.
• **Retain an Independent Compensation Advisor**	The Compensation Committee has engaged its own independent compensation advisor to provide information, analysis and other advice on executive compensation independent of management.
• **Annual Executive Compensation Review**	The Compensation Committee conducts an annual review of our compensation strategy, including a review of our compensation used for comparative purposes.

	What We Do
• **Balanced Time Horizon for Incentive Compensation**	We have a balance of time horizons for our incentive awards, including an annual cash incentive plan, a three-year performance period for our TSR PSUs and a three-year vesting period for our RSUs and Financial PSUs.

	What We Don't Do
• **No Special Retirement Plans**	We do not currently offer pension arrangements or retirement plans to our executive officers other than statutory severance benefits required under the Employee Retirement Benefit Security Act of Korea.
• **No Stock Option Re-Pricing**	Our equity compensation plan does not permit stock options or stock appreciation rights ("SARs") to be repriced to a lower exercise or strike price without the approval of our stockholders.
• **No Excise Tax Payments on Future Post-Employment Compensation Arrangements**	We do not provide any excise tax reimbursement payments (including "gross-ups") with respect to payments or benefits contingent upon a change in control of the Company. The Company does, however, have the obligation to provide tax equalization to the CEO and the CCO with respect to such payments and benefits, as a part of their expatriate benefit package because they are subject to taxation in both the U.S. and Korea.
• **No Hedging or Pledging**	We prohibit our employees, including our executive officers, and the non-employee members of our Board from pledging, engaging in short sales and certain derivative transactions relating to our securities.
• **No Special Welfare or Health Benefits**	We do not provide our executive officers with any welfare or health benefit programs, other than participation on the same basis as our full-time employees in the employee programs that are standard in our industry sector. The Company does provide customary international health insurance to the CEO, the CCO and the GM of Power as a part of their expatriate benefit package.
• **No Dividends or Dividend Equivalents Payable on Unvested Equity Awards**	We do not pay dividends or dividend equivalents on unvested equity awards.

Say on Pay Vote and Stockholder Input

The Compensation Committee has responsibility to ensure that the compensation paid to our executive officers aligns with the interests of our stockholders and the Company's compensation philosophy. Approximately 94.2% of the stockholders at the 2022 Annual Meeting voted to approve the compensation of the Company's named executive officers as disclosed in the Company's 2022 proxy statement. With the result of the advisory votes, the Compensation Committee determined that the Company's executive compensation program continues to be appropriate. Nevertheless, in response to stockholder input regarding topics of concern from our investors, we made changes aimed at increasing the quality and transparency of the disclosures in our Compensation Discussion and Analysis ("CD&A") this year, with a particular emphasis on disclosures related to variable, performance-based compensation and human capital management. We remain committed to listening to stockholder feedback as we continue to evaluate and refine our compensation programs.

Timing of Compensation Decisions

Generally, at the end of each annual evaluation period, our CEO reviews the performance of the other executive officers and presents his conclusions and recommendations to the Compensation Committee. At that time and throughout the year, the Compensation Committee also evaluates the performance of our CEO, which is measured in substantial part against our consolidated financial performance.

Equity awards are made in accordance with our Equity Award Grant Policy described below. We do not have any program, plan or practice to time equity award grants in coordination with the release of material non-public information.

Role of the Compensation Committee in Compensation Decisions

The Compensation Committee's responsibilities include evaluating, approving and monitoring our named executive officer and director compensation plans, policies and programs, as well as each of our equity-based compensation plans and policies. In addition, the Compensation Committee has the responsibility of periodically reviewing and advising the Board concerning our human capital strategies, initiatives and programs with respect to our culture, talent, recruitment, retention, employee engagement, and employee diversity, equity and inclusion efforts.

Consistent with our compensation philosophy and objectives, the Compensation Committee evaluates our executive officer compensation packages annually to ensure that:

- We maintain our ability to attract and retain superior executives in critical positions;
- Our executives are incentivized and rewarded for corporate growth, achievement of long-term corporate objectives and individual performance that meet or exceed our expectations without encouraging unnecessary risk-taking; and
- Compensation provided to critical executives remains competitive relative to the compensation paid to similarly situated executives of companies in the semiconductor industry.

In addition to the annual reviews, the Compensation Committee also typically considers compensation changes upon a named executive officer's promotion or other change in job responsibility.

Role of CEO in Compensation Decisions

For named executive officers other than our CEO, we have historically sought and considered input from our CEO and our independent compensation consultant as described below, in making determinations regarding executive compensation.

Our CEO annually reviews the performance of our other named executive officers. Thereafter, he presents conclusions and recommendations regarding the compensation of such officers, including proposed salary adjustments and incentive amounts, to the Compensation Committee. The Compensation Committee then takes this information into account when it makes final decisions regarding any adjustments or awards.

The review of performance by the Compensation Committee and our CEO of our other named executive officers is both an objective and subjective assessment of each named executive officer's contribution to our performance, leadership qualities, strengths and weaknesses and performance relative to goals set by the Compensation Committee or our CEO, as applicable. The Compensation Committee and our CEO do not systematically assign a weight to the factors, and may, in their discretion, consider or disregard any one factor which, in their sole discretion, is important to or irrelevant for a particular executive.

Role of Compensation Consultant

The Compensation Committee engages an external compensation consultant to assist it by providing information, analysis and other advice relating to our executive compensation program and the decisions resulting from its annual executive compensation review. For 2022, the Compensation Committee retained Compensia, a national compensation consulting firm, to serve as its independent compensation consultant. This compensation consultant serves at the discretion of the Compensation Committee.

During 2022, Compensia attended some of the meetings of the Compensation Committee (both with and without management present) during the period of its engagement and provided the following services:

- Consulting with the Compensation Committee Chair and other members between Compensation Committee meetings on compensation matters as needed;

- Assisting in the drafting of the Compensation Discussion and Analysis and Pay Versus Performance disclosures;
- Reviewing and updating the compensation peer group used to assess executive compensation;
- Providing market data for selected executive officer positions covering target total direct compensation levels and design to help the Compensation Committee determine how to competitively set compensation for the selected executive officer positions;
- Updates on compensation trends and regulatory developments; and
- Assistance with the design of the PSUs.

In 2022, Compensia did not provide any services to us other than the consulting services to the Compensation Committee. The Compensation Committee regularly reviews the objectivity and independence of the advice provided by its compensation consultant on executive compensation. In 2022, the Compensation Committee considered the six specific independence factors adopted by the SEC and reflected in the NYSE listing standards and determined that the work performed by Compensia did not raise any conflicts of interest.

Elements of Compensation

In making decisions regarding the pay of the named executive officers, the Compensation Committee looks to set a total compensation package for each officer that will retain high-quality talent and motivate the officer to achieve the goals set by our Board. Our executive compensation package is generally comprised of the following elements:

Element	Purpose	Description
Annual base salary	Provides a fixed source of annual cash compensation for our named executive officers.	Based upon each individual's skills, experience and performance as well as the criticality of the role.
Short-term cash incentives	Incentivizes achievement of key annual financial, operational and strategic goals.	Variable cash compensation based on performance.
Long-term equity incentives	Aligns the interests of our named executive officers with those of our stockholders by increasing stock ownership, incentivizing increases in stockholder value and strengthening retention.	Variable equity compensation delivered through three vehicles: - Service-based RSUs with a three-year vesting period; - PSUs with a one-year performance period and subsequent three-year vesting period; and - Relative total shareholder return PSUs (TSR PSUs) with a three-year performance period.
Expatriate and other executive benefits	Allows us to remain competitive with peer and market practices and to retain key personnel on expatriate assignments by minimizing adverse financial impacts associated with such assignments.	Benefits include housing allowances, relocation and repatriation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, tax equalization payments and tax advisory services.

Our executives also participate in a health and welfare benefits package that is generally available to all of our employees and are each party to an employment agreement that provides for limited post-employment and change in control payments and benefits.

Sources of Market Data

For purposes of comparing our executive compensation against the competitive market, the Compensation

Committee reviews and considers the compensation levels and practices of a group of comparable technology companies. The companies in this compensation peer group were selected on the basis of their similarity to us in size, industry focus and being based in the U.S. We focused on U.S.-based companies because our highest ranking executives are U.S. expatriates who have opportunities to work with U.S.-based technology companies.

Compensia provided the Compensation Committee with an analysis of the prior compensation peers with a recommendation of ten companies to exclude based on the companies being acquired or being outside the financial ranges noted below. Compensia also provided eight potential additions based on the selection criteria noted below. The Compensation Committee reviewed the proposed changes to our compensation peer group and adopted the final group to be used for this year's analysis. The companies in this compensation peer group were selected on the basis of their similarity to us, based on the following criteria:

- Industry — semiconductors; semiconductor equipment, electronic equipment and instruments and electronic components;
- Company type — Public companies primarily headquartered in the U.S. and traded on a major stock exchange;
- Similar revenue size — 0.25x – 2.5x Magnachip's revenue of $505 million ($126 million to $1.3 billion);
- Market capitalization — $50 million to $4 billion;
- Executive positions similar in breadth, complexity and/or scope of responsibility; and
- Competitors for executive talent.

The Compensation Committee approved the use of market data from the following group of peer companies, which was reviewed and approved in November 2021, for our 2022 executive compensation market assessment:

Alpha and Omega Semiconductor
Ambarella
Axcelis Technologies
Cohu
Diodes
DSP Group
Ichor Holdings
Impinj
MaxLinear
NeoPhotonics
Photronics
Rambus
SkyWater Technology
Veeco Instruments
Vishay Precision Group

The Compensation Committee seeks to establish a total cash compensation package for our named executive officers that is competitive with the compensation for similarly situated executives in this compensation peer group, while also considering each executive's experience and performance. Accordingly, the Compensation Committee used the market data from this peer group as a reference point in its 2022 executive compensation process.

Elements of Compensation and Weighting

The Compensation Committee does not apply a formula or assign relative weight in apportioning compensation among the various elements used. Instead, it makes a subjective determination after considering all information collectively for each element of compensation.

Annual Base Salary

The Compensation Committee seeks to set the base salaries of our named executive officers at competitive levels as compared to similarly situated executives in our select peer group, but also takes into account the named executive officer's experience, skill set and the value of that skill set and performance. The Compensation Committee makes a subjective decision regarding any changes in base salary based on these factors and the data from our select peer group. The Compensation Committee does not systematically assign weights to any of the factors it considers, and may, in its discretion, ignore any factors or deem any one factor to have greater importance for a particular executive officer. Base salary adjustments, if applicable, generally take effect in the middle of our fiscal year. In 2022, the Compensation Committee increased the annual base salary of our named executive officers effective January 1, 2022. Those increases ranged from 0.5% to 6.1%, except our CFO's salary was increased by 14.2% to reflect her increased responsibilities in connection with her promotion to CFO. The 2022 base salary for each named executive officer is set forth below:

Named Executive Officer	2022 Base Salary
Young-Joon Kim	$560,100
Shin Young Park	$310,000
Theodore Kim	$350,000
Woung Moo Lee	$275,633
Chan Ho Park	$336,600

Short-Term Cash Incentives

We have been providing short-term cash incentive opportunities to encourage our named executive officers to achieve certain short-term corporate performance goals. The employment agreement that each of our named executive officers has entered into includes a target bonus amount, which is expressed as a percentage of base salary.

The Compensation Committee typically makes annual determinations regarding short-term cash incentive compensation based on various performance-related factors, including our annual operating plan, which is generally adopted in the December preceding each fiscal year. The Compensation Committee also considers for each year the cash bonus payout percentage earned by our non-executive employees pursuant to the terms of the collective bargaining agreement entered into by our Korean operating subsidiary, Magnachip Semiconductor, Ltd. ("MSK"), which typically takes into account a myriad of factors, including the Company's financial performance in the applicable year. The Compensation Committee's annual determination regarding short-term cash incentive compensation for our executives, including our named executives officers, is conducted generally with a view toward applying a payout percentage (applicable to the target bonus amount) to our executives that is similar to, or commensurate with, that determined under the applicable collective bargaining agreement.

For 2022, the Compensation Committee determined that the payout percentage of short-term cash incentive compensation for our executives would be 0%. This determination was based on a variety of relevant factors, including the Company's performance relative to its 2022 annual operating plan, as well as its general financial performance in 2022.

Target bonus as a percentage of base salary, the target bonus amount and the actual amount of 2022 bonus award for each of our named executive officers are set forth below.

Named Executive Officer	Target Bonus (% of Base Salary)	Target Bonus Amount	Actual Amount
Young-Joon Kim	100%	$560,100	$0
Shin Young Park	50%	$155,000	$0
Theodore Kim	75%	$262,500	$0
Woung Moo Lee	60%	$165,380	$0
Chan Ho Park	50%	$168,300	$0

On April 25, 2022, we awarded a one-time cash award (the "Retention Awards") to certain executives and employees of the Company, including our named executive officers, to ensure continued retention of key executive officers and employees in what remains a tight market for executive talent as well as to reward those individuals for their substantial contributions in connection with the previously contemplated merger with an affiliate of Wise Road Capital LTD. The Retention Awards paid to our named executive officers are as set forth adjacent to their respective names in the table below.

Named Executive Officer	Retention Awards
Young-Joon Kim	$605,538
Shin Young Park	$330,274
Theodore Kim	$528,439
Woung Moo Lee	$178,248
Chan Ho Park	$132,110

Long-Term Equity Incentives

Equity awards are not tied to base salary or cash incentive amounts and constitute lesser or greater proportions of total compensation depending on market practices and the Compensation Committee's determination of target grant values. The Compensation Committee, relying on the professional and market experience of our Compensation Committee members, as well as information provided by our compensation consultant, generally seeks to set equity awards at competitive levels based on both U.S. and Korean market practices and taking into account our equity plan share pool and projected dilution of our shares outstanding. The Compensation Committee does not target a specific percentile within our peer group with respect to equity-based compensation.

Consistent with the Compensation Committee's desire to provide compensation that is largely "at risk" while still competitive with our peers with whom we compete for talent, our equity compensation program for our named executive officers includes PSUs each year along with RSUs. The Compensation Committee believes that the inclusion of PSUs in our executive compensation program is consistent with, explicitly linked to, and supports our strategic objective of enhancing stockholder value.

In 2022, consistent with aligning our named executive officers' interests with sustained value creation, the Compensation Committee determined that it was appropriate to switch from one-year vesting to three year vesting with respect to our annual Financial PSU awards. This switch would have caused a "lag" in the realizable value of the Financial PSUs that could be recognized by the grantees in the first two years the 2022 award was to be outstanding. To avoid that lag, the Compensation Committee determined that each 2022 Financial PSU award should include a special grant of "make-whole" Financial PSUs, with a shorter one-year vesting period ("Make-Whole Financial PSUs"), in addition to the Financial PSUs vesting over a three year period. As a result, in 2022 each grantee was granted Make-Whole Financial PSUs as part of each Financial PSU award, with the number of the Make-Whole Financial PSUs equal to two thirds (2/3) of the total number of Financial PSUs that were originally intended for that grantee.

In order for any PSUs to be earned and vest, the performance must meet or exceed a threshold level of performance during the applicable performance period, and the level of achievement of the applicable performance milestones will be determined by the Compensation Committee within 60 days following the end of the applicable performance period.

In the event a named executive officer is terminated without cause or resigns for good reason in each case not in connection with a "change in control" prior to the settlement of the award, the named executive officer will remain eligible to vest in a pro-rata portion of the award on the Certification Date, based on the number of full months the executive officer provided continuous service through the applicable performance period (the "Continued Service Condition").

The general terms of the equity awards contemplated by our 2022 executive compensation program are summarized in the table below.

Service-Based RSUs	Financial PSUs	TSR PSUs
• Vest over three years in three equal annual installments, subject to the executive's continued employment through each applicable vesting date.	• Annual grants with one-year performance period. • Vesting is based on (i) the achievement of financial goals that measure our performance against our business strategy, with specific performance goals established by the Compensation Committee annually, and (ii) satisfaction of the Continued Service Condition through each applicable date in the following vesting schedule: 1/3 of Vestable Units on the Certification Date; 1/3 of Vestable Units on December 31, 2023; and 1/3 of Vestable Units on December 31, 2024(1). • For 2022, performance goals are based on revenue (1/3 weighting), gross profit margin (1/3 weighting) and Adjusted EBITDA (1/3 weighting).(2)	• Annual grants with three-year performance period. • Performance is measured within 60 days of the end of the three-year performance period. • Vesting is based on three-year TSR of the Company relative to other entities in the S&P Semiconductor Index, determined by the percentile rank of the Company's TSR relative to the TSR of each other entity in such index, subject to the satisfaction of the Continued Service Condition.

(1) As described above, Make-Whole Financial PSUs have a one-year vesting period, with the entire amount vesting on the Certification Date, provided that the other conditions of vesting have been met. As a result, including the Make-Whole Financial PSUs, 60% of the 2022 Financial PSUs were eligible to vest on the Certification Date.

(2) "Adjusted EBITDA" means EBITDA (as defined below) adjusted to exclude (i) equity-based compensation expense, (ii) foreign currency loss (gain), net, (iii) derivative valuation loss (gain), net, and (iv) various non-recurring expense (income), net. "EBITDA" is defined as the Company's net income (loss) before interest income, interest expense, income tax expense, and depreciation and amortization.

The below tables summarize the RSUs, Financial PSUs, and TSR PSUs granted to each of the named executive officers of the Company in 2022.

			RSUs	
Name	Grant Date	FV of Grant Date	RSUs Granted (#)	Aggregate fair value of grant date ($)
Young-Joon Kim	2/28/2022	$18.20	43,000	782,600
Shin Young Park	2/28/2022	$18.20	15,000	273,000
Theodore Kim	2/28/2022	$18.20	25,000	455,000
Woung Moo Lee	2/28/2022	$18.20	11,747	213,795
Chan Ho Park	2/28/2022	$18.20	10,000	182,000

Name	Grant Date	FV of Grant Date ($) (at Target)	Financial PSUs Threshold Shares (#)	Target Shares (#)	Maximum Shares (#)
Young-Joon Kim	2/28/2022	2,711,800	74,500	149,000	223,500
Shin Young Park	2/28/2022	318,500	8,750	17,500	26,250
Theodore Kim	2/28/2022	531,440	14,600	29,200	43,800
Woung Moo Lee	2/28/2022	249,431	6,853	13,705	20,558
Chan Ho Park	2/28/2022	212,339	5,834	11,667	17,501

Name	Grant Date	FV of Grant Date ($) (at Target)	TSR PSUs Threshold Shares (#)	Target Shares (#)	Maximum Shares (#)	Supermaximum Shares (#)
Young-Joon Kim	2/28/2022	717,080	19,700	39,400	59,100	78,800
Shin Young Park	2/28/2022	81,900	2,250	4,500	6,750	9,000
Theodore Kim	2/28/2022	136,500	3,750	7,500	11,250	15,000
Woung Moo Lee	2/28/2022	64,137	1,762	3,524	5,286	7,048
Chan Ho Park	2/28/2022	54,600	1,500	3,000	4,500	6,000

Vesting of the Financial PSUs granted in 2022 was based on the actual level of achievement for three corporate financial performance metrics—revenue, gross profit margin and Adjusted EBITDA. Achievement at or above the maximum level of achievement for each performance goal would result in a maximum payout of 150% of the portion of the named executive officer's target level award attributable to that performance goal, while achievement below the threshold level of achievement for each performance goal would result in no payout for the portion of the named executive officer's target level award attributable to that performance goal.

In February 2023, the Compensation Committee determined that the 2022 Financial PSUs were to be forfeited, as the Company did not achieve the threshold level of achievement for any of the three performance goals. As a result, Financial PSUs granted in 2022 covering the following number of shares of our Common Stock were forfeited by our named executive officers: Mr. YJ Kim, 149,000; Ms. SY Park 17,500, Mr. T. Kim 29,200, Mr. WM Lee 13,705 and Mr. CH Park 11,667.

The applicable goals and weighting, and the level of achievement for the Financial PSUs granted in 2022 are as follows:

Performance Metrics	Goal Weighting	Threshold	Target	Maximum	2022 Achievement	Vesting Ratio by Category	Weighed Vesting Ratio
Revenue (in millions)	33.33%	$450.0	$459.0	$485.0	$301.9	0.0%	0.0%
Gross Profit Margin (as % of revenue)	33.33%	33.5%	35.0%	37.2%	33.0%	0.0%	0.0%
Adjusted EBITDA (in millions)	33.33%	$72.2	$78.6	$88.0	$19.5	0.0%	0.0%
							0.0%

The performance metric of the 2022 TSR PSUs is the three-year TSR relative to the S&P Semiconductor Index. In structuring the relative TSR calculation and selecting the index, the Compensation Committee wanted to compare our stock price performance to that of a large, steady-state sampling of semiconductor companies on a basis designed to eliminate any short-term aberrations in stock price at the start or at the end of the performance period. The TSR payout percentage is represented by four performance levels: ''Threshold,'' ''Target,'' ''Maximum'' and ''Supermaximum.'' Supermaximum is achieved only if Magnachip ranks first in the S&P Semiconductor Index.

As of December 31, 2022, the performance period applicable to the TSR PSUs granted in 2020 (the ''2020 TSR PSUs'') ended. The performance metric applicable to the 2020 TSR PSUs was the same as that described above with respect to the 2022 TSR PSUs. In February 2023, based on such performance metric, the Compensation Committee determined that the vesting percentage of the 2020 TSR PSUs to be 0%, as the Company recorded a TSR of -20.46% for the performance period, placing it at the 9th percentile within the S&P

Semiconductor Index, which was below the achievement threshold of the 35th percentile. As a result, TSR PSUs covering the following number of shares of our Common Stock were forfeited by our named executive officers: Mr. YJ Kim, 29,040; Ms. SY Park, 1,500; Mr. T. Kim 6,000; and Mr. WM Lee 5,250.

Health and Welfare Benefits

Our named executive officers are eligible to participate in our employee benefit plans that are generally provided to all full-time employees, and on the same basis as all of our full-time employees in the country in which they are resident. For Messrs. YJ Kim, T. Kim and CH Park, these benefits included individual health insurance (medical, dental and vision).

Perquisites and Other Benefits

We provide the named executive officers with perquisites and other benefits, including expatriate benefits, which the Compensation Committee believes are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. Generally, perquisites are determined based upon what the Compensation Committee considers to be customary perquisites offered by our select peer group and are not based upon a median cost for specific perquisites or for the perquisites in aggregate. The Compensation Committee determines the level and types of expatriate benefits for the named executive officers based on local market surveys taken by our human resources group. These surveys are not limited to our select peer group, but include a broad range of companies based outside of Korea but with significant operations in Korea. Attributed costs of the personal benefits for the named executive officers are set forth in the Summary Compensation Table below. Consistent with the industry practice of hiring key expatriate executives and relocating such executives to a foreign country, like Korea, the provision of expatriate benefits to key expatriate executives allows us to retain key personnel on expatriate assignments and minimize any financial impacts associated with such assignments.

Mr. YJ Kim and Mr. T. Kim were expatriates during 2022 and received expatriate benefits commensurate with market practice in Korea. The Compensation Committee determined the appropriate benefits for each expatriate in accordance with internal policies approved by our Board from time to time, which generally included housing allowances, relocation and repatriation allowances, insurance premiums (including, in addition to health and welfare benefits described above, group personal accident and business travel insurance), reimbursement for the use of a car, home leave flights, tax equalization payments and tax advisory services.

Employment Agreements and Post-Employment Severance Benefits

Each of our named executive officers is party to an employment agreement or executive service agreement that provides for certain payments upon termination of the executive's employment and/or a change in control of the Company and that is intended to align the interests of the executive and stockholders if a transaction were to occur. Please see the section below entitled "Potential Payments Upon Termination or Change in Control" for further discussion of those benefits. We believe that the use of severance arrangements appropriately mitigates some of the risk that exists for executives working in our highly competitive industry and allows the executives to focus on our business objectives. We entered into an executive services agreement with Ms. Park in connection with her appointment as CFO consistent with the existing agreements with our other named executive officers.

Pursuant to the Employee Retirement Benefit Security Act, certain executive officers residing in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. For purposes of this section, we call this benefit "statutory severance." The base statutory severance is approximately one month of base salary per year of service. Each of our named executive officers accrued statutory severance in 2022.

Clawback Policy

The Company has adopted a clawback policy that applies to incentive compensation approved, awarded or granted to our current and former executive officers, including our named executive officers, following the adoption of the policy in 2017. Under the clawback policy, if we are required to prepare an accounting restatement due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws and the Board determines that a covered executive officer has willfully committed an act of fraud, dishonesty or recklessness in the performance of his or her duties as an executive officer of the Company that contributed to the noncompliance, the Board may require reimbursement or forfeiture of any excess incentive compensation that is received by any covered executive officer during the three completed fiscal years preceding the date on which the Company is required to prepare such accounting restatement. We intend to amend this policy to be consistent with the listing standards of the New York Stock Exchange once it adopts and SEC-approved listing standard that complies with Exchange Act Rule 10D-1.

Anti-Hedging and Pledging Policy

The Company has adopted the Securities Trading Policy which applies to all of the directors, officers and employees of the Company, to describe the standards concerning the handling of non-public information relating to the Company and the buying and selling of securities of the Company. The policy prohibits engaging in pledging, short sales and buying or selling puts, calls, options or other derivatives in respect of securities of the Company. The policy also strongly discourages speculative hedging transactions where even long-term hedging transactions that are designed to protect an individual's investment in Company securities (i.e., the hedge must be for at least twelve (12) months and relate to stock or options held by the individual) are only permitted after being pre-cleared with the Chairman of the Board and the Company's General Counsel.

Equity Award Grant Policy

Effective September 1, 2022, the Company adopted an Equity Award Grant Policy. The policy provides that equity awards made in connection with the hiring of a new employee or the promotion of an existing employee will generally be made on a bi-monthly basis, and that, unless the Board, the Compensation Committee, or its delegate determines otherwise, will be effective on the earlier of the 1st or the 15th day of the month during which such grant is approved, or the month immediately following the date on which such grant is approved, as appropriate. In addition, new hire grants will generally become effective at least fourteen days after the date on which an employee's employment begins. Annual and other equity awards to continuing employees, if made, will generally be made at a meeting of the Board or the Compensation Committee, or its delegate established in advance, and will generally become effective on the earlier of the 1st or the 15th day of the month during which such grant is approved, or of the month immediately following the date on which such grant is approved, as appropriate.

Equity awards denominated in a number of shares will be priced in accordance with the terms of the Company's 2020 Equity and Incentive Compensation Plan. If a grant of restricted stock or RSUs is denominated in dollars, the number of shares of restricted stock or RSUs subject to such grant will be calculated by dividing the dollar value of the approved award by the volume-weighted average closing market price on the NYSE (or such other market on which the Company's stock is then principally listed) of one share of the Company's stock over the trailing 30-day period ending on the last day immediately prior to the grant date.

Stock Ownership Guidelines

The Company has adopted our Stock Ownership Policy (the "Stock Ownership Policy"), that is applicable to our non-employee directors and our executive officers. The Stock Ownership Policy requires that:

- The Chairman of the Board hold equity in the Company with a value equal to the lesser of (i) three times his or her then current annual Board and Chairman cash retainer and (ii) three times his or her initial annual Board and Chairman cash retainer paid at the time he or she became subject to the Stock Ownership Policy as the Chairman of the Board;
- Non-employee directors hold equity in the Company with a value equal to the lesser of (i) three times the non-employee director's annual Board cash retainer and (ii) three times his or her initial annual Board cash retainer paid at the time he or she became subject to the Stock Ownership Policy as a director of the Company;
- The Chief Executive Officer owns equity in the Company equal to the lesser of (i) five times his or her then current annual base salary and (ii) five times his or her annual base salary paid at the time he or she became subject to the Stock Ownership Policy as the Chief Executive Officer of the Company; and
- All other covered executives own equity in the Company equal to the lesser of (i) two times his or her annual base salary and (ii) two times his or her annual base salary as of the date such individual's entered into their role that made them subject to the Stock Ownership Policy.

The Stock Ownership Policy provides that an individual subject to the policy is required to be in compliance with the minimum equity ownership requirement by the later of the five-year anniversary of the implementation date of the Stock Ownership Policy and the five-year anniversary of such individual's entrance into their role that made them subject to the Stock Ownership Policy.

The Stock Ownership Policy provides that shares of our Common Stock directly owned by covered executives and directors, vested, but not settled, RSUs, 50% of any vested unexercised options, shares owned jointly with a spouse and shares of our Common Stock held in a trust established by a covered executive or director for the benefit of the such covered executive or director and/or family members will count towards satisfying the minimum equity ownership requirement of the Stock Ownership Policy.

Accounting Considerations

The Compensation Committee considers the accounting impact of equity awards when designing compensation plans and arrangements for our executive officers and other employees. Chief among these is Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"), the standard which governs the accounting treatment of stock-based compensation awards. However, accounting cost is just one factor considered when designing such compensation plans and arrangements for our executive officers and other employees.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis as set forth above under "Compensation Discussion and Analysis" with our management and, based on such review and discussion, has recommended to our Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The foregoing report was submitted by the Compensation Committee and shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act and shall not be incorporated by reference in any of our other filings under the Securities Act or Exchange Act except to the extent we specifically incorporate this report therein.

Members of the Compensation Committee:

Camillo Martino, Chair
Kyo-Hwa (Liz) Chung
Gary Tanner

Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2022, 2021 and 2020, of our named executive officers:

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Option Awards ($)	Stock Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)	Total ($)
Young-Joon Kim . . . . Chief Executive Officer	2022	560,420	605,538	—	4,211,480	—	100,280	1,565,327[5]	7,043,045
	2021	557,136	1,576,245	—	2,335,967	—	68,656	1,034,781	5,572,785
	2020	556,399	125,000	—	1,486,335	—	26,089	757,844	2,951,667
Shin Young Park[6] . . . Chief Financial Officer	2022	312,048	330,274	—	673,400	—	51,264	41,548[7]	1,408,534
	2021	—	—	—	—	—	—	—	—
	2020	—	—	—	—	—	—	—	—
Theodore Kim . . . . . . Chief Compliance Officer, General Counsel and Secretary	2022	350,259	528,439	—	1,122,940	—	72,468	644,107[8]	2,718,213
	2021	329,846	801,724	—	875,709	—	40,016	443,141	2,490,436
	2020	329,410	74,250	—	539,350	—	16,096	333,954	1,293,060
Woung Moo Lee . . . . General Manager of Display Solutions and Worldwide Sales	2022	275,633	178,248	—	527,363	—	25,691	47,783[9]	1,054,718
	2021	306,158	127,203	—	471,760	—	25,827	47,360	978,307
	2020	296,913	57,527	—	406,210	—	24,350	38,645	823,644
Chan Ho Park . . . . . . General Manager of Power Solutions	2022	336,808	132,110	—	448,939	—	35,470	168,030[10]	1,121,358
	2021	329,846	118,306	—	202,186	—	29,353	165,052	844,743
	2020	192,203	28,943	—	166,350	—	15,344	189,747	592,586

Note: A monthly average exchange rate was used to convert amounts in the above table that were originally paid in Korean won.

(1) The base salary amounts for Mr. YJ Kim, Ms. SY Park, Mr. T. Kim and Mr. CH Park in this table differ from the contractual base salary amounts described in the section above subtitled "Compensation Discussion and Analysis—Annual Base Salary" due to fluctuation in the exchange rate between U.S. dollars and Korean won during the year. The increase in base salary amounts between 2020 and 2021 is also a result of fluctuation in the exchange rate between 2020 and 2021. Mr. WM Lee's annual base salary in USD appears to have decreased between 2021 and 2022, but is the result of fluctuation in the exchange rate. Mr. CH Park's base salary in 2020 was calculated based on his service with the Company from his date of hire on June 1, 2020 through December 31, 2020.

(2) Represents retention bonuses earned by the applicable named executive officer in 2022. See the section subtitled "Compensation Discussion and Analysis" for a description of the short-term cash incentive amounts paid in 2022.

(3) The amount reported represents the aggregate grant date fair value of RSUs and PSUs granted to our named executive officers in 2022, 2021 and 2020, determined in accordance with FASB ASC 718. Such grant date fair value does not take into account any estimated forfeitures. The amount reported in this column reflects the accounting cost for these RSUs and PSUs and does not correspond to the actual economic value that may be received by the applicable NEO upon the vesting/settlement of the RSUs or any sale of the underlying shares of Common Stock. The Financial PSUs and the TSR PSUs are reported here at the target performance level based on the probable outcome of such performance conditions. When calculated at the maximum performance level (which is referred to as "supermaximum" with respect to the TSR PSUs), the amount of the PSUs in 2022 would be $5,501,860 for Mr. YJ Kim, $641,550 for Ms. SY Park, $1,070,160 for Mr. T. Kim, $502,420 for Mr. WM Lee and $427,709 for Mr. CH Park. Payout percentages for the 2020 TSR PSUs and the 2022 Financial PSUs were determined by the Compensation Committee on February 24, 2023, and as a result of actual performance over the performance period, these awards were forfeited. See the section subtitled "Compensation Discussion and Analysis—Long-Term Equity Incentives" for further information.

(4) Consists of statutory severance accrued for each of the years ended December 31, 2022, 2021 and 2020, as applicable. See the section below subtitled "Pension Benefits for the Fiscal Year Ended December 31, 2022" for a description of the statutory severance benefit.

(5) Includes the following personal benefits paid to Mr. YJ Kim for 2022: (a) $195,183 for Mr. YJ Kim's housing lease; (b) $11,051 for Mr. YJ Kim's home leave flights; (c) $9,767 for reimbursement of tuition expenses for Mr. YJ Kim's child; (d) $76,975 for health insurance premiums; (e) $6,060 for accident insurance and business travel insurance premiums; (f) $26,907 for annual cash special allowance (the amount reported in this table differs from the $27,000 contractual annual cash special allowance due to fluctuation in the exchange rate between U.S. dollars and Korean won during the year); (g) $13,559 for car and driver expense (including personal

use of a car service provided by the Company); (h) $18,607 for tax consulting expense; (i) $19,273 for living expense; (j) $1,543 for annual health examination for spouse, (k) $921 for fitness allowance; (l) $893 for meal allowance, welfare points and similar benefits; (m) $86,093 of reimbursement for the difference between the actual tax Mr. YJ Kim already paid and the hypothetical tax he had to pay for the fiscal year 2022; (n) $1,445 of additional reimbursement for the difference between the actual tax Mr. YJ Kim already paid and the hypothetical tax he had to pay for the fiscal year 2021; and (o) $1,097,050 for reimbursement of Korean tax.

(6) Ms. Park became a named executive officer effective January 1, 2022.

(7) Includes the following personal benefits paid to Ms. SY Park for 2022: (a) $34,567 for health insurance premiums; (b) $2,181 for personal use of a car service provided by the Company; (c) $1,810 for fitness allowance; (d) $1,006 for meal allowance; and (e) $1,984 for family allowance, medical expense support, welfare points and similar benefits.

(8) Includes the following personal benefits paid to Mr. T. Kim for 2022: (a) $55,025 for Mr. T. Kim's housing lease; (b) $23,069 for Mr. T. Kim's home leave flights; (c) $54,559 for health insurance premiums; (d) $1,691 for accident insurance and business travel insurance premiums; (e) $3,157 for reimbursement of tuition expense for Mr. T. Kim's child; (f) $4,063 for personal use of a car service provided by the Company; (g) $12,251 for tax consulting expense; (h) $5,323 for living expense; (i) $705 for fitness allowance; (j) $1,351 for meal allowance, welfare points and similar benefits; (k) $46,349 of reimbursement for the difference between the actual tax Mr. T. Kim already paid and the hypothetical tax he had to pay for the fiscal year 2022; and (l) $436,564 for reimbursement of Korean tax.

(9) Includes the following personal benefits paid to Mr. WM Lee for 2022: (a) $39,185 for health insurance premiums; (b) $3,148 for personal use of a car service provided by the Company; (c) $1,850 for private pension; (d) $1,157 for annual health examination for spouse; (e) $866 for fitness allowance; and (f) $1,577 for meal allowance, family allowance, welfare points and similar benefits.

(10) Includes the following personal benefits paid to Mr. CH Park for 2022: (a) $76,975 for health insurance premiums; (b) $2,369 for personal use of a car service provided by the Company; (c) $80,045 for special bonus (the amount reported in this table differs from the $80,000 contractual special bonus due to fluctuation in the exchange rate between U.S. dollars and Korean won during the year); (d) $4,785 for tax consulting expense; (e) $1,157 for annual health examination for spouse; (f) $790 for fitness allowance; and (g) $1,909 for meal allowance, family allowance, welfare points and similar benefits.

Grants of Plan-Based Awards Table for Fiscal Year 2022

The following table sets forth information regarding grants of plan-based awards made to our named executive officers during 2022. The vesting schedule applicable to each award is set forth in the "Outstanding Equity Awards as of Fiscal Year End 2022" table. See the section subtitled "Compensation Discussion and Analysis—Long-Term Equity Incentives" for further information regarding grants made to our named executive officers during 2022.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards (#)			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	Grant Date Fair Value of Stock and Option Awards ($)(5)
		Threshold	Target	Maximum		
Young-Joon Kim	2/28/2022(1)	—	—	—	43,000	782,600
	2/28/2022(2)	74,500	149,000	223,500	—	2,711,800
	2/28/2022(3)	19,700	39,400	78,800(4)	—	717,080
Shin Young Park	2/28/2022(1)	—	—	—	15,000	273,000
	2/28/2022(2)	8,750	17,500	26,250	—	318,500
	2/28/2022(3)	2,250	4,500	9,000(4)	—	81,900
Theodore Kim	2/28/2022(1)	—	—	—	25,000	455,000
	2/28/2022(2)	14,600	29,200	43,800	—	531,440
	2/28/2022(3)	3,750	7,500	15,000(4)	—	136,500
Woung Moo Lee	2/28/2022(1)	—	—	—	11,747	213,795
	2/28/2022(2)	6,853	13,705	20,558	—	249,431
	2/28/2022(3)	1,762	3,524	7,048(4)	—	64,137
Chan Ho Park	2/28/2022(1)	—	—	—	10,000	182,000
	2/28/2022(2)	5,834	11,667	17,501	—	212,339
	2/28/2022(3)	1,500	3,000	6,000(4)	—	54,600

(1) Represents the RSUs granted during fiscal year 2022 to our named executive officers. Further information on the RSU awards can be found in the "Compensation Discussion & Analysis" section above.

(2) Represents the Financial PSUs granted during fiscal year 2022 to our named executive officers. The Compensation Committee is required to certify the actual amount earned for each performance goal for the performance period, within 60 days following the end of the performance period. Upon such determination, the portion of the award structured as Make-Whole Financial PSUs vests, and the remainder of the 2022 Financial PSU award corresponding to the payout percentage vests, subject to the satisfaction of the Continued Service Condition. Further information on the Financial PSUs, including the portion structured as Make-Whole Financial PSUs can be found in the ''Compensation Discussion & Analysis'' section above.

(3) Represents the TSR PSUs granted during fiscal year 2022 to our named executive officers. The Compensation Committee is required to certify the actual amount earned for each performance goal, within 60 days following the end of the performance period. Upon such determination, the applicable portion of the units corresponding to the payout percentage vests, subject to the satisfaction of the Continued Service Condition. Further information on the Financial PSUs can be found in the ''Compensation Discussion & Analysis'' section above.

(4) Represents in the ''Supermaximum'' performance level. The TSR payout percentage is represented by four performance levels: ''Threshold,'' ''Target,'' ''Maximum'' and ''Supermaximum.'' Supermaximum is achieved only if Magnachip ranks first in the TSR Index and the applicable payout percentage is 200%. The payout percentage is 150% for ''Maximum'' performance.

(5) Represents the grant date fair value of each equity-based award as determined in accordance with FASB ASC 718. For the performance-based equity awards, the amounts are reported at the target performance level based on the probable outcome of the applicable performance conditions.

Outstanding Equity Awards at Fiscal Year End 2022

The following table sets forth all outstanding equity awards held by our named executive officers as of December 31, 2022. Please see the section below entitled ''Potential Payments Upon Termination or Change in Control'' for information regarding the impact of certain employment termination scenarios on outstanding equity awards.

	Option Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price($)	Option Expiration Date
Young-Joon Kim	5/6/2013	200,000	—	15.96	5/6/2023
	6/9/2015	90,610	—	7.64	6/9/2025
	3/11/2016	45,305	—	5.53	3/11/2026
Shin Young Park	8/11/2015	1,000	—	8.45	8/11/2025
	3/11/2016	1,500	—	5.53	3/11/2026
Theodore Kim	10/26/2013	50,000	—	21.79	10/26/2023
	6/9/2015	51,740	—	7.64	6/9/2025
	3/11/2016	25,870	—	5.53	3/11/2026
Woung Moo Lee	11/1/2013	50,000	—	19.56	11/1/2023
	6/9/2015	43,940	—	7.64	6/9/2025
	3/11/2016	25,870	—	5.53	3/11/2026
Chan Ho Park	—	—	—	—	—

Name	Grant Date	Stock Awards Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
Young-Joon Kim	5/7/2020	—	—	29,040(4)	272,686
	2/19/2021	9,749(5)	91,543	26,126	245,323
	2/28/2022	28,667(6)	269,183	188,400(4)	1,769,076
Shin Young Park	5/7/2020	—	—	1,500(4)	14,085
	3/12/2020	3,333(7)	31,297	—	—
	2/19/2021	2,238(5)	21,015	2,013	18,902
	2/28/2022	10,000(6)	93,900	22,000(4)	206,580
Theodore Kim	5/7/2020	—	—	6,000(4)	56,340
	2/19/2021	7,269(5)	68,256	6,541	61,420
	2/28/2022	16,667(6)	156,503	36,700(4)	344,613
Woung Moo Lee	5/7/2020	—	—	5,250(4)	49,298
	2/19/2021	3,916(5)	36,771	3,524	33,090
	2/28/2022	7,832(6)	73,542	17,229(4)	161,780
Chan Ho Park	6/1/2020	5,000(8)	46,950	—	—
	2/19/2021	1,679(5)	15,766	1,510	14,179
	2/28/2022	6,667(6)	62,603	14,667(4)	137,723

(1) Represents the market value of RSUs based on our closing per share price of \$9.39 on December 30, 2022, the last trading day of 2022.

(2) Represents unvested TSR PSUs granted on May 7, 2020, February 19, 2021 and February 28, 2022 at target performance level. The TSR PSUs vest based on achievement of the TSR performance goal over the 2020-2022 performance period (for the 2020 grants), the 2021-2023 performance period (for the 2021 grants) and 2022-2024 performance period (for the 2022 grants), subject to the completion of the Continued Service Condition.

(3) Represents the market value of TSR PSUs at target performance level based on our closing per share price of \$9.39 on December 30, 2022, the last trading day of 2022.

(4) Payout percentages for TSR PSUs granted on May 7, 2020 for Mr. YJ Kim, Ms. SY Park, Mr. T. Kim and Mr. WM Lee, and Financial PSUs granted on February 28, 2022 for Mr. YJ Kim, Mr. T. Kim, Mr. WM Lee, Mr. CH Park and Ms. SY Park were determined on February 24, 2023, and as a result of actual performance over the performance period, these awards were forfeited. See "Compensation Discussion and Analysis—*Long-term Equity Incentives*" for additional details.

(5) RSUs vest over three years in three equal annual installments, subject to executive's continued employment through each applicable vesting date. Represents the third installment, scheduled to vest on December 31, 2023.

(6) RSUs vest over three years in three equal annual installments, subject to executive's continued employment through each applicable vesting date. Represents the second and third installments, scheduled to vest on December 31, 2023 and December 31, 2024.

(7) Represents the third installments of unvested RSUs granted on March 12, 2020 for Ms. SY Park that vest over a period of three years at a rate of one-third (1/3) of the total granted RSUs vesting on each anniversary of the date of the grant.

(8) Represents the third installments of unvested RSUs granted on June 1, 2020 for Mr. CH Park that vest over a period of three years at a rate of one-third (1/3) of the total granted RSUs vesting on each anniversary of the date of the grant.

Option Exercises and Stock Vested

The following table shows information regarding the vesting of stock awards held by our named executive officers in 2022. None of our named executive officers exercised stock options during 2022.

Name	Stock Awards: Number of Shares Acquired on Vesting (#)[(1)(5)]	Value Realized on Vesting ($)[(4)(5)]
Young-Joon Kim	107,424	1,689,543
Shin Young Park	17,144[(2)]	230,666
Theodore Kim	41,041	561,644
Woung Moo Lee	26,509	369,525
Chan Ho Park	13,099[(3)]	204,046

(1) Represents the sum of (i) RSUs that vested on December 31, 2022 (ii) Financial PSUs earned based on the Company's performance in 2021, which vested and were settled on February 18, 2022, and (iii) TSR PSUs earned based on three-year TSR of the Company, which were granted in 2020 and vested and were settled on February 18, 2022.

(2) Includes RSUs that vested on January 16, 2022 and March 12, 2022.

(3) Includes RSUs that vested on June 1, 2022.

(4) Represents the sum of the value of (i) vested RSUs, (ii) Financial PSUs and (iii) TSR PSUs as of the vesting date, based on our closing per share price on each vesting date.

(5) The share numbers and values set forth in these two columns do not take into account the shares that were withheld from the named executive officers to pay applicable withholding taxes. The below table shows the number of shares, with their values calculated as of the vesting date, that were withheld by the Company in order to pay applicable withholding taxes on behalf of our named executive officers:

Name	Stock Awards: Number of Shares Withheld (#)	Value of Shares Withheld ($)
Young-Joon Kim	39,750	625,167
Shin Young Park	8,132	109,279
Theodore Kim	15,187	207,829
Woung Moo Lee	12,861	179,762
Chan Ho Park	646	12,132

Pension Benefits for the Fiscal Year Ended December 31, 2022

In addition to the severance benefits described above, pursuant to the Employee Retirement Benefit Security Act of Korea, certain executive officers residing in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. The base statutory severance accrues at the rate of approximately one month of base salary per year of service and is calculated on a monthly basis based upon the executive's salary for the prior three-month period. Accordingly, if the named executive officer's employment with the Company terminated on the last day of our fiscal year ended December 31, 2022, they would have been entitled to the statutory severance payments described below. The accumulated amounts under the statutory severance scheme are paid in a lump sum upon the executive's separation. Assuming no change in the applicable law, each of these executives will continue to accrue additional statutory severance benefits at the rate described above until his or her service with us terminates.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)[(1)]	Payments During the Last Fiscal Year($)
Young Joon Kim	Statutory Severance	10	481,288	—
Shin Young Park	Statutory Severance	4	110,226	—
Theodore Kim	Statutory Severance	10	287,788	—
Woung Moo Lee	Statutory Severance	10	213,923	—
Chan Ho Park	Statutory Severance	3	77,296	—

(1) The value reported in this column represents the accumulated amount of the benefit for each executive based on the formula described above of one month of base salary per year of credited service.

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans for our named executive officers.

Potential Payments Upon Termination or Change in Control

Our named executive officers are each party to an employment agreement that provides for post-employment or change in control benefits. The terms "cause", "good reason", "disability" and "change in control" used below have the meanings given to them in the applicable CEO Agreement or Other Executive Agreement (each as defined below).

Employment Agreements

On April 26, 2018, the Company entered into a new employment agreement with Mr. YJ Kim that superseded his prior severance and employment agreements (the "CEO Agreement"). In October of 2018, the Company entered into similar arrangements with Mr. WM Lee and Mr. T. Kim that replaced their prior severance agreements and offer letters (the "Other Executive Agreements"). In June 2020 and February 2022, the Company entered into an employment agreement with Mr. CH Park and Ms. SY Park, respectively, in a form substantially similar to the Other Executive Agreements.

Under the CEO Agreement, Mr. YJ Kim is entitled to severance payments and benefits upon certain qualifying terminations of his employment with the Company. Upon termination of his employment by the Company without "cause" or his resignation for "good reason", in each case not in connection with a "change in control" (each, a "Non CIC Termination"), he is entitled to receive (i) 24 months of continued base salary (as then in effect or in effect prior to any diminution constituting "good reason") (the "Salary Payment"), (ii) a pro rata bonus based on actual performance (if such termination occurs after June 30 of the year of termination), (iii) a lump-sum payment equal to the cost of 12 months of Company-paid medical, dental and vision insurance premiums (the "Insurance Payment"), (iv) 90 days' continuation of his expatriate benefits, and (v) to the extent that he is eligible to receive such payments as part of the expatriate benefits, the repatriation allowance and expenses. Further, Mr. YJ Kim will vest in all unvested equity awards in accordance with the terms of our equity plan and the applicable award agreements.

If, during a period of time that (x) the Company is party to a definitive corporate transaction agreement the consummation of which would result in a "change in control" or (y) is within 18 months following a "change in control", Mr. YJ Kim's employment is terminated by the Company without "cause", by Mr. YJ Kim for "good reason" (each, a "CIC Termination") or by reason of his death or "disability", then he will be entitled to the severance payments described above, provided that (A) the Salary Payment shall be a lump sum payment equal to two times the sum of (1) his base salary (as then in effect or in effect prior to any diminution implicating "good reason") and (2) his annual bonus (as then in effect or in effect prior to any diminution implicating "good reason", but in no event greater than 100% of his base salary) and (B) the Insurance Payment will be in respect of 18 months rather than 12 months. Further, Mr. YJ Kim will vest in all equity awards in accordance with the terms of our equity plan and the applicable award agreements.

Mr. YJ Kim's right to receive any "change in control" or other severance payments provided in the CEO Agreement is subject to his execution of a release of claims against us and his compliance with certain restrictive covenants.

The Other Executive Agreements provide that the applicable executive will be entitled to severance payments and benefits upon certain qualifying terminations of his or her employment with the Company. In the event that the applicable executive incurs a Non CIC Termination, he or she will be entitled to (i) 12 months of continued base salary for Mr. T. Kim, Mr. WM Lee and Ms. SY Park and 6 months of continued base salary for Mr. CH Park (as then in effect or in effect prior to any diminution constituting "good reason") (the "Other Executive Salary Payment"), (ii) a pro rata bonus based on actual performance (if such termination occurs after June 30 of the year of termination) (together with the Other Executive Salary Payment, the "Other Executive Severance Payment"), (iii) vesting of all equity awards in accordance with the terms of our equity plan and the applicable award agreements. Further, Mr. T. Kim would receive a lump sum payment equal to the cost of 12 months of Company-paid medical, dental and vision insurance premiums, 90 days' continuation of his expatriate benefits, and, to the extent that he is eligible to receive such payments as part of his expatriate benefits, a repatriation allowance in the amount of one month's base salary and certain repatriation expenses as described in his agreement.

In the event that Mr. WM Lee, Mr. T. Kim or Ms. SY Park incurs a CIC Termination, then the applicable executive will be entitled to the severance payments described above, provided that the Severance Payment instead will equal one and one-half times the executive's base salary (as then in effect or in effect prior to any diminution implicating "good reason"), while Mr. CH Park will be entitled to 12 months of base salary as described above; and provided further, that if the date of termination occurs after June 30 of the calendar year in which the date of termination occurs, Mr. T. Kim will also receive an amount equal to an additional month of base salary for each month that has passed since July 1 through the date of termination (rounding up for any partial months), which will be payable in a lump sum on the sixtieth (60th) day following the date of termination. Further, the applicable executive will vest in all equity grants in accordance with the terms of our equity plan and the applicable award agreements.

The applicable executive's rights to receive any "change in control" or other severance payments under the Other Executive Agreements is subject to the applicable executive's execution of a release of claims against us and his or her compliance with certain restrictive covenants.

The following tables present our estimate of the dollar value of the payments and benefits payable to our named executive officers upon the occurrence of certain terminations of their employment and upon a change in control, assuming that each such event occurred on December 31, 2022, and assuming a closing per share price of $9.39 on December 30, 2022, the last trading day of 2022. In addition, the disclosure in the following table does not include:

- any accrued benefits that were earned and payable as of December 31, 2022; or
- payments and benefits to the extent they are provided generally to all salaried employees and do not discriminate in scope, terms or operation in favor of the named executive officers.

Young-Joon Kim

	Cash Severance Payment ($)(1)	Value of Equity Award Acceleration ($)	Continuation of Benefits and Perquisites ($)(2)	Total ($)
Termination By the Company Without Cause / By Executive for Good Reason	1,120,200	1,399,035(4)	504,200(7)	3,023,435
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	2,240,400(3)	2,647,811(5)	542,687(8)	5,430,898
Termination By the Company for Cause / By Executive without Good Reason	—	—	—	—
Change in Control (without termination of employment)	—	2,647,811(6)	—	2,647,811

(1) Represents cash severance payments payable pursuant to the CEO Agreement (including a pro rata bonus based on actual performance). See "Potential Payments Upon Termination or Change in Control" for additional information.

(2) Represents continuation of benefits and perquisites pursuant to the CEO Agreement and our expatriate benefit policy. See "Potential Payments Upon Termination or Change in Control" and "—Compensation Discussion and Analysis—Perquisites and Other Benefits" for additional information. Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2022 benefits.

(3) Mr. YJ Kim would also receive such benefits upon a termination as a result of his death or disability that occurs in connection with a change in control.

(4) Represents the value of Mr. YJ Kim's 2020, 2021 and 2022 TSR PSUs and 2022 Financial PSUs that remain eligible to vest, based on the Continued Service Condition and the assumed termination date. More specifically, he would remain eligible to vest in the full number of his 2020 TSR PSUs, two-thirds of his 2021 TSR PSUs, one-third of his 2022 TSR PSUs and sixty percent of his 2022 Financial PSUs (such percentage including the vesting of the Make-Whole Financial PSUs). This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. YJ Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $286,883, which is $1,112,152 lower than what is indicated in the table.

(5) Represents the value of immediate vesting of all RSUs granted after January 1, 2021. Mr. YJ Kim would also vest in his outstanding Financial PSUs and TSR PSUs at the time of the change of control. This column assumes vesting at the target performance level. Mr. YJ Kim would also receive accelerated vesting of his RSUs upon his death or disability that occurs in connection with a change in control. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. YJ Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $976,015, which is $1,671,796 lower than what is indicated in the table.

(6) Assumes that the Compensation Committee exercised its discretion to fully accelerate all equity awards in connection with the transaction under the 2011 Plan and the 2020 Plan. Represents the value of accelerated vesting of unvested RSUs, Financial PSUs and TSR PSUs (assuming Financial PSUs and TSR PSUs vest at target performance level). On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. YJ Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $976,015, which is $1,671,796 lower than what is indicated in the table.

(7) Includes the following continuation of benefits and perquisites for Mr. YJ Kim: (a) $48,128, which is housing expenses for Mr. YJ Kim's housing lease; (b) $76,975 for health insurance premiums; (c) $46,675 for repatriation allowance; (d) $28,005 for repatriation expense; (e) $12,684 for living expense, tax consulting fee and car service provided by the Company; (f) $21,228 of reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (g) $270,505 for estimated reimbursement of Korean tax.

(8) Same as the total amount of Note (7) except this amount includes an additional $38,487 representing the employer cost of insurance premiums for an additional 6 months of insurance coverage. Mr. YJ Kim would also receive such benefits upon a termination as a result of his death or disability that occurs in connection with a change in control.

Shin Young Park

	Cash Severance Payment ($)(1)	Value of Equity Award Acceleration ($)	Continuation of Benefits and Perquisites ($)	Total ($)
Termination By the Company Without Cause / By Executive for Good Reason	310,000	139,366(2)	—	449,366
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	465,000	354,482(3)	—	819,482
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment)	—	385,779(4)	—	385,779

(1) Represents cash severance payments payable pursuant to the Executive Service Agreement. See "Potential Payments Upon Termination or Change in Control" for additional information.

(2) Represents the value of Ms. SY Park's 2020, 2021 and 2022 TSR PSUs and 2022 Financial PSUs that remain eligible to vest, based on the Continued Service Condition and the assumed termination date. More specifically, she would remain eligible to vest in the full number of her 2020 TSR PSUs, two-thirds of her 2021 TSR PSUs, one-third of her 2022 TSR PSUs and sixty percent of her 2022 Financial PSUs (such percentage including the vesting of the Make-Whole Financial PSUs). This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Ms. SY Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $26,686, which is $112,680 lower than what is indicated in the table.

(3) Represents the value of immediate vesting of all RSUs granted on or after January 1, 2021. Ms. SY Park would also vest in her outstanding Financial PSUs and TSR PSUs at the time of the change of control. This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Ms. SY Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $176,072, which is $178,410 lower than what is indicated in the table.

(4) Assumes that the Compensation Committee exercised its discretion to fully accelerate all equity awards in connection with the transaction under the 2011 Plan and the 2020 Plan. Represents the value of accelerated vesting of unvested RSUs , Financial PSUs and TSR PSUs (assuming Financial PSUs and TSR PSUs vest at target performance level). On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Ms. SY Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $207,369, which is $178,410 lower than what is indicated in the table.

Theodore Kim

	Cash Severance Payment ($)[1]	Value of Equity Award Acceleration ($)	Continuation of Benefits and Perquisites ($)[2]	Total ($)
Termination By the Company Without Cause / By Executive for Good Reason	350,000	285,278[3]	277,391[6]	912,669
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	700,000	687,132[4]	277,391[6]	1,664,523
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment)	—	687,132[5]	—	687,132

(1) Represents cash severance payments payable pursuant to the applicable Other Executive Agreement. See "Potential Payments Upon Termination or Change in Control" for additional information.

(2) Represents continuation of benefits and perquisites pursuant to the applicable Other Executive Agreements and our expatriate benefit policy. See "Potential Payments Upon Termination or Change in Control" and "Compensation Discussion and Analysis—Perquisites and Other Benefits" for additional information. Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2022 benefits.

(3) Represents the value of Mr. T. Kim's 2020, 2021 and 2022 TSR PSUs and 2022 Financial PSUs that remain eligible to vest, based on the Continued Service Condition and the assumed termination date. More specifically, he would remain eligible to vest in the full number of his 2020 TSR PSUs, two-thirds of his 2021 TSR PSUs, one-third of his 2022 TSR PSUs and sixty percent of his 2022 Financial PSUs (such percentage including the vesting of the Make-Whole Financial PSUs). This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. T. Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $64,425, which is $220,853 lower than what is indicated in the table.

(4) Represents the value of immediate vesting of all RSUs granted after January 1, 2021. Mr. T. Kim would also vest in his outstanding Financial PSUs and TSR PSUs at the time of the change of control. This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. T. Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $356,604, which is $330,528 lower than what is indicated in the table.

(5) Assumes that the Compensation Committee exercised its discretion to fully accelerate all equity awards in connection with the transaction under the 2011 Plan and the 2020 Plan. Represents the value of accelerated vesting of unvested RSUs, Financial PSUs and PSUs (assuming Financial PSUs and TSR PSUs vest at target performance level). On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. T. Kim has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $356,604, which is $330,528 lower than what is indicated in the table.

(6) Includes the following continuation of benefits and perquisites for Mr. T. Kim: (a) $13,568 for housing expenses for Mr. T. Kim's housing lease; (b) $5,688 for Mr. T. Kim's home leave flights; (c) $54,559 for health insurance premiums; (d) $29,167 for repatriation allowance; (e) $50,000 for repatriation expense; (f) $5,335 for other personal benefits (including personal use of a car service provided by the Company, living expenses and tax consulting fee); (g) $11,428 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (h) $107,646 for estimated reimbursement of Korean tax.

Woung Moo Lee

	Cash Severance Payment ($)[1]	Value of Equity Award Acceleration ($)	Continuation of Benefits and Perquisites ($)	Total ($)
Termination By the Company Without Cause / By Executive for Good Reason	275,633	159,611[2]	—	435,244
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	413,449	354,482[3]	—	767,931
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment)	—	354,482[4]	—	354,482

(1) Represents cash severance payments payable pursuant to the applicable Other Executive Agreement. See "Potential Payments Upon Termination or Change in Control" for additional information.

(2) Represents the value of Mr. WM Lee's 2020, 2021 and 2022 TSR PSUs and 2022 Financial PSUs that remain eligible to vest, based on the Continued Service Condition and the assumed termination date. More specifically, he would remain eligible to vest in the full number of his 2020 TSR PSUs, two-thirds of his 2021 TSR PSUs, one-third of his 2022 TSR PSUs and sixty percent of his 2022 Financial PSUs (such percentage including the vesting of the Make-Whole Financial PSUs). This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. WM Lee has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $33,100, which is $126,511 lower than what is indicated in the table.

(3) Represents the value of all RSUs granted after January 1, 2021. Mr. WM Lee would also vest in his outstanding Financial PSUs and TSR PSUs at the time of the change of control. This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. WM Lee has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $176,494, which is $177,988 lower than what is indicated in the table.

(4) Assumes that the Compensation Committee exercised its discretion to fully accelerate all equity awards in connection with the transaction under the 2011 Plan and the 2020 Plan. Represents the value of accelerated vesting of unvested RSUs, Financial PSUs and TSR PSUs (assuming Financial PSUs and TSR PSUs vest at target performance level). On February 24, 2023, the vested quantity of 2022 Financial PSUs and 2020 TSR PSUs granted to Mr. WM Lee has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $176,494, which is $177,988 lower than what is indicated in the table.

Chan Ho Park

	Cash Severance Payment ($)(1)	Value of Equity Award Acceleration ($)	Continuation of Benefits and Perquisites ($)	Total ($)
Termination By the Company Without Cause / By Executive for Good Reason	168,300	111,976(2)	—	280,276
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	336,600	277,221(3)	—	613,821
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment)	—	277,221(4)	—	277,221

(1) Represents cash severance payments payable pursuant to the Executive Service Agreement. See "Potential Payments Upon Termination or Change in Control" for additional information.

(2) Represents the value of Mr. CH Park's RSUs granted on June 1, 2020 ("June RSUs"), 2021 TSR PSUs, 2022 TSR PSUs and 2022 Financial PSUs that remain eligible to vest, based on the Continued Service Condition and the assumed termination date. More specifically, he would remain eligible to vest in 58.33% of the third tranche of his June RSUs, two-thirds of his 2021 TSR PSUs, one-third of his 2022 TSR PSUs and sixty percent of his 2022 Financial PSUs (such percentage including the vesting of the Make-Whole Financial PSUs). This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs granted to Mr. CH Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $46,236, which is $65,740 lower than what is indicated in the table.

(3) Represents the value of immediate vesting of all RSUs granted on or after June 1, 2020. Mr. CH Park would also vest in his outstanding Financial PSUs and TSR PSUs at the time of the change of control. This column assumes vesting at the target performance level. On February 24, 2023, the vested quantity of 2022 Financial PSUs granted to Mr. CH Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $167,668, which is $109,553 lower than what is indicated in the table.

(4) Assumes that the Compensation Committee exercised its discretion to fully accelerate all equity awards in connection with the transaction under the 2011 Plan and the 2020 Plan. Represents the value of accelerated vesting of unvested RSUs, Financial PSUs and TSR PSUs (assuming Financial PSUs and TSR PSUs at vest target performance level). On February 24, 2023, the vested quantity of 2022 Financial PSUs granted to Mr. CH Park has been confirmed as 0% of the granted quantity. Had this been taken into account, the value would have been $167,668, which is $109,553 lower than what is indicated in the table.

CEO Pay Ratio

For the 2022 fiscal year, the ratio of the annual total compensation of Mr. YJ Kim, our Chief Executive Officer ("CEO Compensation"), to the median of the annual total compensation of all of our employees other than our Chief Executive Officer ("Median Annual Compensation") was 79.55 to 1. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions summarized below. In this summary, we refer to the employee who received such Median Annual Compensation as the "Median Employee." For purposes of this disclosure, the date used to identify the Median Employee was December 31, 2022 (the "Determination Date").

CEO Compensation for purposes of this disclosure represents the total compensation reported for Mr. YJ Kim under "Summary Compensation Table", which was $7,043,045 for the 2022 fiscal year. For purposes of this disclosure, Median Annual Compensation was $88,532, and was calculated by totaling for our Median Employee all applicable elements of compensation for the 2022 fiscal year in accordance with Item 402(c)(2)(x) of Regulation S-K.

To identify the Median Employee, we first determined our employee population as of the Determination Date. We had 897 employees, representing all full-time, part-time, seasonal and temporary employees of Magnachip and its consolidated subsidiaries as of the Determination Date, but excluding Mr. YJ Kim, and, as permitted by applicable SEC rules, excluding (i) any independent contractors or "leased" workers and (ii) all of our employees located in China (21), Taiwan (3), Japan (2) and Germany (1). We then measured compensation for the period beginning on January 1, 2022 and ending on December 31, 2022 for these employees. This compensation measurement was calculated by totaling, for each employee, total cash compensation paid (including salary, wages, tips, cash bonuses and other cash compensation paid in 2022) as shown in our payroll and human resources records for 2022. A portion of our employee workforce (full-time and part-time) worked for less than the full fiscal year due to commencing employment after the beginning of the fiscal year. In determining the Median Employee, we annualized the compensation for such individuals.

Equity Compensation Plan Information

The following table provides information as of December 31, 2022, regarding securities authorized for issuance under the Company's compensation plans. The Company's compensation plans include the 2020 Plan, the 2011 Plan, and the Purchase Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants or rights	(b) Weighted-average exercise price of outstanding options, warrants or rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,605,028[(1)]	$10.64[(1)]	1,351,913[(2)]
Equity compensation plans not approved by security holders	—	—	—
Total:	2,605,028		1,351,913

(1) Comprised of (i) stock options to purchase 1,137,558 shares of Common Stock under the 2011 Plan, at a weighted average exercise price of $10.64 per share, (ii) 1,467,470 shares of Common Stock subject to RSUs and performance restricted awards under the 2011 Plan and 2020 Plan, which are calculated at maximum performance levels. There are no outstanding securities under the suspended Purchase Plan.

(2) Excludes 1,163,880 shares of Common Stock that remain available as of December 31, 2022, for future issuance under the suspended Purchase Plan.

Equity Compensation Plan Summary

MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan

In March 2011, our Board and our stockholders approved the MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan (the "2011 Plan"). Following the approval of our 2020 Equity and Incentive Compensation Plan by stockholders at the 2020 Annual Meeting of Stockholders, no further awards are to be issued under the 2011 Plan. Shares subject to awards granted under our 2011 Plan which expire, are repurchased, or are cancelled or forfeited will again become available for issuance under the 2020 Plan. As of December 31, 2022, there were 1,137,558 outstanding options and 274,675 outstanding RSUs and PSUs under our 2011 Plan, and no shares remained available for issuance. Awards granted under the 2011 Plan are subject to recoupment or clawback in accordance with our clawback policy. The 2011 Plan allows for withholding of shares of our Common Stock to cover tax withholding obligations up to an amount determined by the maximum applicable statutory rates, subject to certain limitations.

In the event of a change in control as described in the 2011 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2011 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The Compensation Committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms, and to such extent as it determines, except that the vesting of all awards held by members of our Board who are not employees will automatically be accelerated in full. The 2011 Plan also authorizes the Compensation Committee, in its discretion, and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of Common Stock in the change in control transaction over the exercise price per share, if any, under the award.

MagnaChip Semiconductor Corporation 2020 Equity and Incentive Compensation Plan

On June 11, 2020, at the Annual Meeting of Stockholders, the MagnaChip Semiconductor Corporation 2020 Equity and Incentive Compensation Plan (the ‘‘2020 Plan’’), was approved and adopted to succeed the 2011 Plan, which was otherwise set to expire in March 2021 (after which no further grants could be made thereunder). The 2011 Plan, together with the 2009 Plan, are referred to as the ‘‘Predecessor Plans.’’ As the 2020 Plan was approved, it made available for awards under the 2020 Plan 1,309,000 new shares of Common Stock. The 2020 Plan also includes the 1,149,921 shares of Common Stock that remained available for awards under the 2011 Plan as of the approval date for the 2020 Plan.

Generally, awards under the 2020 Plan are limited to 1,309,000 shares of Common Stock plus, as of the effective date of the 2020 Plan, the total number of shares of Common Stock remaining available for awards under the 2011 Plan, plus Common Stock subject to any forfeitures (or similar events) that occur under the Predecessor Plans or the 2020 Plan after the effective date of the 2020 Plan. This design means that we essentially ‘‘rolled’’ into the new 2020 Plan the shares that we had remaining under the 2011 Plan as of the effective date of the 2020 Plan. These shares may be shares of original issuance or treasury shares, or a combination of the two.

Awards may be granted under the 2020 Plan to the Company’s employees, officers, directors, or certain consultants or those of any subsidiary of the Company. While the Company may grant incentive stock options only to employees, the Company may grant non-statutory stock options, SARs, restricted stock, RSUs, performance shares, performance units, dividend equivalents and cash-based awards or other stock-based awards to any eligible participant, subject to terms and conditions determined by the Compensation Committee. The term of any options granted under the 2020 Plan shall not exceed ten years from the date of grant.

The 2020 Plan includes a definition of ‘‘change in control.’’ In general, a change in control shall be deemed to have occurred upon the occurrence of any of the following events (subject to certain exceptions and limitations and as further described in the 2020 Plan): (1) any individual, entity or group is or becomes the beneficial owner of 50% or more of the combined voting power of the then-outstanding Common Stock or voting shares of the Company (subject to certain exceptions); (2) a transaction in which the stockholders immediately before the transaction do not retain ownership of more than 50% of the combined voting power of the outstanding voting securities of the Company (or the entity to which the assets of the Company were transferred); or (3) consummation of a complete liquidation or dissolution of the Company after approval of the same by the stockholders of the Company; provided, however, the transactions described in (1) or (2) above shall not constitute a change in control if a majority of the members of the board of directors of the continuing, surviving or successor entity (or parent thereof) immediately after such transaction is comprised of incumbent directors.

The Board generally may amend the 2020 Plan from time to time in whole or in part. If any amendment, however, for purposes of applicable stock exchange rules (and except as permitted under the adjustment provisions of the 2020 Plan) (1) would materially increase the benefits accruing to participants under the 2020 Plan, (2) would materially increase the number of securities which may be issued under the 2020 Plan, (3) would materially modify the requirements for participation in the 2020 Plan, or (4) must otherwise be approved by our stockholders in order to comply with applicable law or the rules of the NYSE, or if the Common Stock is not traded on the NYSE, the principal national securities exchange upon which the Common Stock is traded or quoted, all as determined by the Board, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained. The Board may, in its discretion, terminate the 2020 Plan at any time. Termination of the 2020 Plan will not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. No grant will be made under the 2020 Plan on or after the tenth anniversary of the effective date of the 2020 Plan, but all grants made prior to such date will continue in effect thereafter subject to their terms and the terms of the 2020 Plan.

MagnaChip Semiconductor Corporation 2011 Employee Stock Purchase Plan

In March 2010, our Board approved the MagnaChip Semiconductor Corporation 2011 Employee Stock Purchase Plan (the ''Purchase Plan''). Our Board amended and restated the Purchase Plan in February 2011 to reflect that the Purchase Plan would become effective in 2011 upon the commencement of our initial publicoffering in March 2011. The Purchase Plan was approved by our stockholders in March 2011 and became effective upon the commencement of our initial public offering in March 2011. We initially authorized and reserved 789,890 shares for sale under the Purchase Plan. However, in August 2012, the Compensation Committee suspended the Purchase Plan. The following summary describes the terms of the Purchase Plan that would be in effect if the Purchase Plan were to be removed from suspension and reinstated.

The Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2012 and continuing through and including January 1, 2021, equal to the lesser of (i) 1% of our then issued and outstanding shares of Common Stock on the immediately preceding December 31, (ii) 789,980 shares, or (iii) a number of shares as our Board may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the Purchase Plan. Because the Purchase Plan was suspended in August 2012, no annual increase in the number of shares authorized under such plan occurred on January 1, 2013 or in subsequent years.

The terms of the Purchase Plan provide that our employees and employees of any parent or subsidiary corporation designated by the Compensation Committee are eligible to participate in the Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the Purchase Plan if: (i) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (ii) the employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

The terms of the Purchase Plan provide that it is to be implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August, and November each year. The Compensation Committee is authorized to establish additional or alternative concurrent, sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant, generally through payroll deductions, are credited toward the purchase of shares of our Common Stock at the end of each offering period at a price generally equal to 95% of the fair market value of our Common Stock on the purchase date. Prior to commencement of an offering period, the Compensation Committee is authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our Common Stock at the beginning of the offering period or on the purchase date.

No participant may purchase under the Purchase Plan in any calendar year shares having a value of more than $25,000 measured by the fair market value per share of our Common Stock on the first day of the applicable offering period. Prior to the beginning of any offering period, the Compensation Committee may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the Compensation Committee will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control as specified by the Compensation Committee, but the number of shares subject to outstanding purchase rights shall not be adjusted.

Pay Versus Performance

As required by Section 953(a) of the Dodd-Frank Act and Item 402(v) of Regulation S-K, we are providing information about the relationship between executive "Compensation Actually Paid" to our principal executive officer ("PEO") and our other named executive officers ("NEOs"), as calculated in accordance with Item 402(v) of Regulation S-K, and certain financial performance measures. For a discussion of our compensation philosophy, how our Compensation Committee assessed "pay-for-performance," and how our executive compensation program is designed to link executive compensation with the achievement of our financial and strategic objectives, as well as stockholder value creation each year, see the section titled "Compensation Discussion and Analysis" on page 18.

Pay Versus Performance Table

					Value of Initial Fixed $100 Investment Based On:			
Year[(1)]	**Summary Compensation Table Total for PEO**	**Compensation Actually Paid for PEO**[(2)(3)]	**Average Summary Compensation Table Total for Non-PEO NEOs**	**Average Compensation Actually Paid for Non-PEO NEOs**[(4)(5)]	**Total Shareholder Return**[(6)]	**Peer Group Total Shareholder Return**[(7)]	**Net Income**[(8)]	**Gross Profit Margin**[(9)]
2022 . . .	$7,043,045	$2,131,915	$1,575,706	$ 778,297	$ 81	$137	$ (8,036,000)	30.0%
2021 . . .	$5,572,785	$6,004,697	$1,260,484	$1,379,361	$181	$213	$ 56,708,000	32.4%
2020 . . .	$2,951,667	$2,943,599	$ 746,414	$ 780,349	$116	$151	$344,965,000	25.3%

(1) Young-Joon Kim served as the Company's PEO for the entirety of 2020, 2021, and 2022. The Company's other NEOs for the applicable years were as follows:

– 2022: Theodore Kim, Woung Moo Lee, Chan Ho Park, Shin Young Park

– 2021: Theodore Kim, Woung Moo Lee, Chan Ho Park, Young Soo Woo

– 2020: Jonathan Kim, Theodore Kim, Woung Moo Lee, Chan Ho Park, Young Soo Woo

Jonathan Kim, Chan Ho Park and Young Soo Woo each served partial years in 2020. Jonathan Kim resigned on March 27 2020, Chan Ho Park's date of hire was June 1, 2020, and Young Soo Woo's date of hire was May 25, 2020.

(2) The amounts reported represent the "Compensation Actually Paid" to our PEO, computed in accordance with Item 402(v) of Regulation S-K, but do not reflect the actual amount of compensation earned by or paid to our PEO in the applicable year. The valuation assumptions used to calculate fair values were updated for the applicable fiscal year, and the assumptions for the applicable fiscal year are set forth in the notes to the financial statements in our annual on Form 10-K for the applicable fiscal year.

(3) In accordance with Item 402(v) of Regulation S-K, the table below describes the adjustments that were made to the amounts reported for our PEO in the "Total" column of the Summary Compensation Table for each year to calculate the "Compensation Actually Paid". No dividends or other earnings were paid on stock or option awards in the covered fiscal year.

	PEO	**2020**	**2021**	**2022**
	Summary Compensation Table - Total Compensation	$2,951,667	$5,572,785	$7,043,045
-	Grant Date Fair Value of Stock Awards and Option Awards Granted in Fiscal Year	$1,486,335	$2,335,967	$4,211,480
+	Fair Value at Fiscal Year End of Outstanding and Unvested Stock Awards and Option Awards Granted in Fiscal Year	$ 560,754	$ 961,177	$ 415,751
+	Change in Fair Value of Outstanding and Unvested Stock Awards and Option Awards Granted in Prior Fiscal Years	$ (74,744)	$ 232,027	$ (592,567)
+	Fair Value at Vesting of Stock Awards and Option Awards Granted in Fiscal Year That Vested During Fiscal Year	$1,071,771	$1,324,256	$ 134,587
+	Change in Fair Value as of Vesting Date of Stock Awards and Option Awards Granted in Prior Fiscal Years For Which Applicable Vesting Conditions Were Satisfied During Fiscal Year	$ 46,222	$ 250,419	$ (238,374)
-	Fair Value as of Prior Fiscal Year End of Stock Awards and Option Awards Granted in Prior Fiscal Years That Failed to Meet Applicable Vesting Conditions During Fiscal Year	$ 125,736	$ 0	$ 419,047
=	Compensation Actually Paid	$2,943,599	$6,004,697	$2,131,915

(4) The amounts reported represent the average "Compensation Actually Paid" to the NEOs other than our PEO as a group, computed in accordance with Item 402(v) of Regulation S-K. The amounts do not reflect the actual average amount of compensation earned by or paid to such NEOs as a group in the applicable year. The valuation assumptions used to calculate fair values were updated for the applicable fiscal year and the assumptions for the applicable fiscal year are set forth in the notes to the financial statements in our annual on Form 10-K for the applicable fiscal year.

(5) In accordance with Item 402(v) of Regulation S-K, the table below describes the adjustments that were made were made to the average of the amounts reported in the "Total" column of the Summary Compensation Table for the NEOs as a group (excluding our PEO) for each year to determine the "Compensation Actually Paid". No dividends or other earnings were paid on stock or option awards in the covered fiscal year.

NEO Average		2020	2021	2022
	Summary Compensation Table - Total Compensation	$746,414	$1,260,484	$1,575,706
-	Grant Date Fair Value of Stock Awards and Option Awards Granted in Fiscal Year	$261,010	$ 454,812	$ 693,161
+	Fair Value at Fiscal Year End of Outstanding and Unvested Stock Awards and Option Awards Granted in Fiscal Year	$196,508	$ 196,048	$ 113,865
+	Change in Fair Value of Outstanding and Unvested Stock Awards and Option Awards Granted in Prior Fiscal Years	$ (2,781)	$ 56,561	$ (130,216)
+	Fair Value at Vesting of Stock Awards and Option Awards Granted in Fiscal Year That Vested During Fiscal Year	$105,488	$ 228,300	$ 48,314
+	Change in Fair Value as of Vesting Date of Stock Awards and Option Awards Granted in Prior Fiscal Years For Which Applicable Vesting Conditions Were Satisfied During Fiscal Year	$ 13,306	$ 121,510	$ (90,215)
-	Fair Value as of Prior Fiscal Year End of Stock Awards and Option Awards Granted in Prior Fiscal Years That Failed to Meet Applicable Vesting Conditions During Fiscal Year	$ 17,576	$ 28,730	$ 45,996
=	Compensation Actually Paid	$780,349	$1,379,361	$ 778,297

(6) Cumulative total shareholder return ("TSR") is calculated by dividing the sum of the cumulative amount of dividends for the performance period, assuming dividend reinvestment, and the difference between our company's share price at the end and the beginning of the performance period by our company's share price at the beginning of the performance period. No dividends were paid on stock or option awards in 2022, 2021, or 2020.

(7) The TSR Peer Group consists of the Philadelphia Semiconductor Index, an independently prepared index composed of the 30 largest U.S. companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

(8) Among various factors that can affect the Company's net income year-over-year, a substantial portion of non-cash translation gain or loss recorded in the Company's net income is associated with the intercompany long-term loans, which is denominated in U.S. dollars, to the Company's Korean subsidiary (using Korean Won as its functional currency) by the Dutch Subsidiary. As of December 31, 2022, 2021 and 2020, the outstanding intercompany long-term loan balance including accrued interest was $311.0 million, $344.4 million and $378.9 million, respectively. Due to the foreign currency fluctuations year-over-year, it can be difficult to detect underlying trends in net income as a result of the Company's business and results of operations.

In addition, certain non-recurring events that were not expected to represent the Company's ongoing operating income or expense had an impact on net income. For the year ended December 31, 2021, total net income of $56.7 million included net gain of $35.5 million that represented $70.2 million income from the recognition of a reverse termination fee, net of professional service fees and expenses of $34.7 million incurred in connection with the previously contemplated merger. For the year ended December 31, 2020, total net income of $345.0 million included income from discontinued operations, net of tax, of $287.9 million, primarily attributable to the recognition of $287.1 million as gain on sale of the Company's Foundry Service Group business and its fabrication facility located in Cheongju known as "Fab 4". It also included income tax benefits of $46.2 million, mainly attributable to the recognition of differences between GAAP and cash tax expense of $43.9 million.

(9) As noted in the section titled "Compensation Discussion and Analysis," for 2022, the Compensation Committee determined that gross profit as a percentage of revenue ("Gross Profit Margin") continues to be viewed as a core driver of the Company's performance and stockholder value creation and, accordingly, was utilized as a component in the 2022 long term incentive program.

Tabular List of Financial Performance Measures

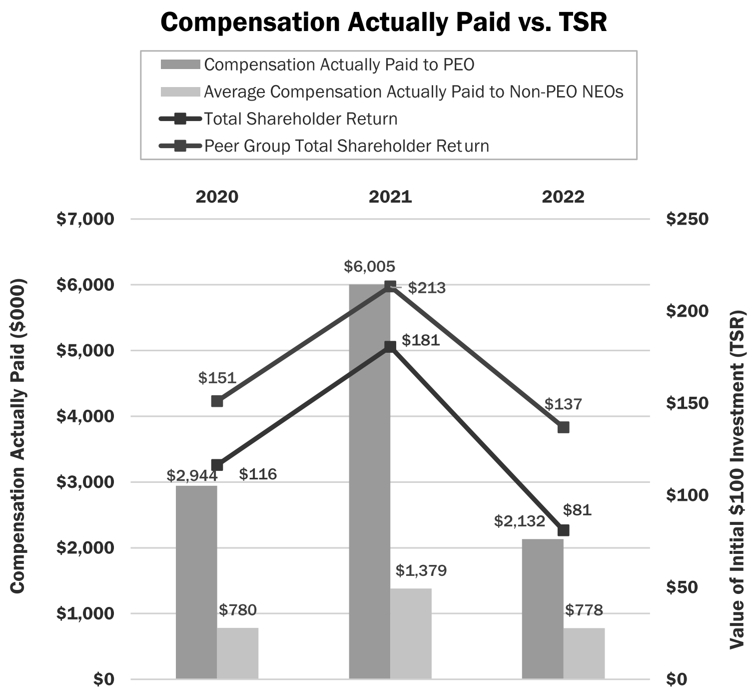
The following is a list of the financial performance measures, which in the Company's assessment represent the most important financial performance measures used by the Company to link the "Compensation Actually Paid" to the PEO and the other NEOs in 2022:

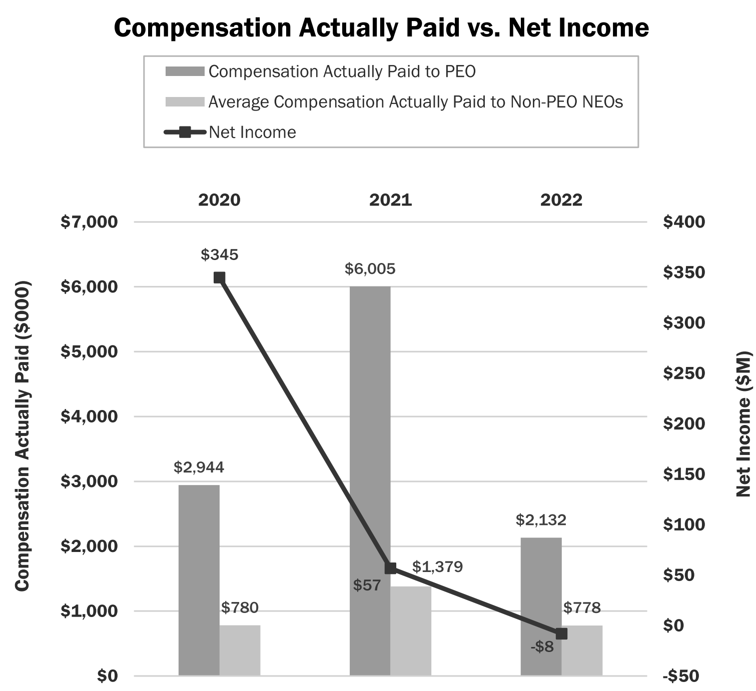
- Adjusted EBITDA
- Gross Profit Margin
- Revenue

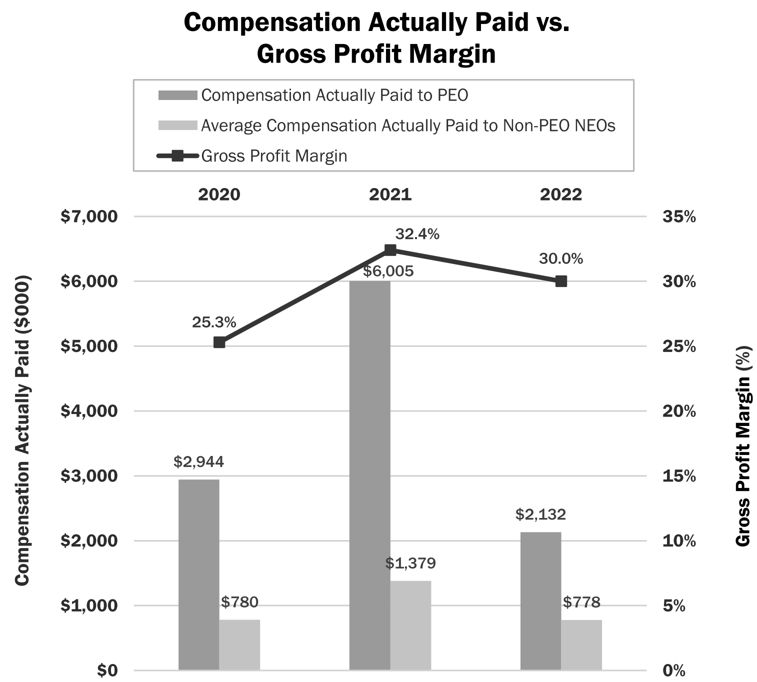
Relationship Between Pay and Performance

"Compensation Actually Paid", as calculated in accordance with Item 402(v) of Regulation S-K, reflects adjusted values to unvested and vested equity awards during the years shown in the Pay Versus Performance Table based on year-end stock prices, various accounting valuation assumptions, and projected performance modifiers, but does not reflect actual amounts paid out for those awards. "Compensation Actually Paid" generally fluctuates due to stock price achievement and varying levels of projected and actual achievement of performance goals.

The following graphs show the relationship between "Compensation Actually Paid" to our CEO and other NEOs in our fiscal years 2020, 2021 and 2022 and (1) TSR of both our Common Stock and the Philadelphia Semiconductor Index, (2) our net income, and (3) our Gross Profit Margin.







We believe the ''Compensation Actually Paid'' in each of the years reported above and over the three-year cumulative period are reflective of the Compensation Committee's emphasis on ''pay-for-performance'' as the ''Compensation Actually Paid'' fluctuated year-over-year, primarily as a result of variable compensation being tied to the performance of our stock and pre-established performance goals and/or criteria under our short-term incentive program and our performance-vesting equity awards. For further details on the terms of our short-term incentive program and our performance-vesting equity awards, see the section titled ''Compensation Discussion and Analysis'' on page 18.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than the compensation arrangements with directors and executive officers, there have been no transactions since January 1, 2022 (and there are no currently proposed transactions) in which:

- we have been or are to be a participant;
- the amount involved exceeds $120,000; and
- any of our directors, executive officers or holders of more than 5% of our Common Stock, or any immediate family member of or person sharing the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

Related Person Transactions Policy

Under our Related Person Transactions Policy, transactions involving our directors, executive officers, significant stockholders and other related persons that involve an amount in excess of $120,000 must be approved by the Company's Audit Committee or, in the event it is determined that it is not practicable or desirable for the Company to wait until the next meeting of the full Audit Committee, the Chair of the Audit Committee (who possesses delegated authority to act between Audit Committee meetings). The Audit Committee (or the Chair of the Audit Committee, as applicable) will consider all of the relevant facts and circumstances available to it, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the related person is a director, an immediately family member of a director or an entity in which a director is a partner, stockholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. The Audit Committee may seek bids, quotes or independent valuations from third parties in connection with assessing any related person transaction. The Audit Committee (or the Chair of the Audit Committee, as applicable) will approve only those transactions that are in, or are not inconsistent with, the best interests of the Company, as the Audit Committee (or the Chair of the Audit Committee, as applicable) determines in good faith.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our outstanding Common Stock for: (1) each person or entity known to us to beneficially own more than five percent (5%) of any class of our outstanding securities; (2) each member of our Board; (3) each of our named executive officers; and (4) all of the members of our Board and current executive officers, as a group. The following tables list the number of shares and percentage of shares beneficially owned on 42,514,556 shares of Common Stock outstanding as of April 6, 2023. The amounts and percentages of equity interests beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a ''beneficial owner'' of a security if that person has or shares ''voting power,'' which includes the power to vote or to direct the voting of such security, or ''investment power,'' which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of the securities as to which he or she has no economic interest.Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. Unless otherwise indicated, the address of each person listed in the table below is Magnachip Semiconductor Corporation c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership[(1)]	Percent of Class[(1)]
Principal Stockholders		
AllianceBernstein L.P.[(2)]	3,190,906	7.5%
Toronado Partners LLC[(3)]	2,692,261	6.3%
Directors and Named Executive Officers		
Kyo-Hwa (Liz) Chung[(4)]	12,946	*
Melvin Keating[(5)]	139,831	*
Ilbok Lee[(6)]	269,173	*
Camillo Martino[(7)]	158,338	*
Gary Tanner[(8)]	188,012	*
Young-Joon Kim[(9)]	668,644	1.6%
Theodore Kim[(10)]	271,232	*
Woung Moo Lee[(11)]	209,186	*
Chan Ho Park[(12)]	24,131	*
Shin Young Park[(13)]	30,674	*
Directors and current Executive Officers as a group (10 persons)[(14)]	1,972,167	4.5%

* Less than one percent

(1) Includes any outstanding Common Stock held and, to the extent applicable, shares issuable upon the exercise or conversion of any securities that are exercisable or convertible within 60 days of April 6, 2023.

(2) Based on the information contained in a Schedule 13G filed with the SEC on February 14, 2023 by AllianceBernstein L.P. (''AllianceBernstein''). AllianceBernstein beneficially owns and has the sole power to dispose or to direct the disposition of the shares of Common Stock listed in the table above and has the sole power to vote or to direct the vote over 2,812,555 of such shares. The shares of Common Stock listed in the table above were acquired solely for investment purposes on behalf of client discretionary investment advisory accounts. AllianceBernstein is a majority owned subsidiary of Equitable Holdings, Inc. (''EQH''). AllianceBernstein operates under independent management and makes independent decisions from EQH and its respective subsidiaries, and EQH calculates and reports beneficial ownership separately from AllianceBernstein pursuant to guidance provided by the Securities and Exchange Commission in Release Number 34-39538 (January 12, 1998). The business address for AllianceBernstein is 1345 Avenue of the Americas, New York, NY 10105.

(3) Based on the information contained in an Amendment No. 3 to Schedule 13G filed with the SEC on February 14, 2023 by Toronado Fund, L.P., Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins. Toronado Fund, L.P. directly holds 2,410,910 shares of our Common Stock. Toronado Partners LLC acts as investment manager for the Toronado Fund, L.P., Toronado Capital Management LLC acts as general partner for Toronado Fund, L.P., and John Stephen Perkins acts as Managing Member of Toronado Partners LLC. Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins directly or indirectly control an additional 281,351 shares of our Common Stock for a cumulative total of 2,692,261 shares. Each of Toronado Fund, L.P.,

Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins may be deemed to be the beneficial owner of 2,692,261 shares of our Common Stock. Each of Toronado Fund, L.P., Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins disclaims beneficial ownership of our shares of Common Stock not held directly by such reporting person. Toronado Fund, L.P. has sole voting power and sole dispositive power over 2,410,910 shares of our Common Stock. Each of Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins has sole voting power over 2,692,261 shares of our Common Stock, sole dispositive power over 2,410,910 shares of our Common Stock and shared dispositive power over 281,351 shares of our Common Stock. The business address of each of Toronado Fund, L.P., Toronado Partners LLC, Toronado Capital Management LLC, and John Stephen Perkins is 44 Montgomery Street, Suite 1200, San Francisco, CA 94104.

(4) Represents 12,946 shares of Common Stock subject to RSUs that will be vested and may be settled as of June 5, 2023.

(5) Represents 10,100 shares of Common Stock, options to purchase 49,737 shares of Common Stock and 79,994 shares of Common Stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of June 5, 2023.

(6) Represents 33,272 shares of Common Stock, options to purchase 149,593 shares of Common Stock and 86,308 shares of Common Stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of June 5, 2023.

(7) Represents 28,000 shares of Common Stock, options to purchase 49,737 shares of Common Stock and 80,601 shares of Common Stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of June 5, 2023.

(8) Represents 5,408 shares of Common Stock, options to purchase 93,117 shares of Common Stock and 89,487 shares of Common Stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of June 5, 2023.

(9) Represents 332,729 shares of Common Stock and options to purchase 335,915 shares of Common Stock that will be vested and may be exercised as of June 5, 2023.

(10) Represents 143,622 shares of Common Stock and options to purchase 127,610 shares of Common Stock that will be vested and may be exercised as of June 5, 2023.

(11) Represents 89,376 shares of Common Stock and options to purchase 119,810 shares of Common Stock that will be vested and may be exercised as of June 5, 2023.

(12) Represents 19,131 shares of Common Stock and 5,000 shares of Common Stock subject to RSUs that will be vested and may be settled as of June 5, 2023.

(13) Represents 28,174 shares of Common Stock and options to purchase 2,500 shares of Common Stock that will be vested and may be exercised as of June 5, 2023.

(14) Our directors and executive officers as of April 6, 2023 as a group beneficially own 1,972,167 shares of Common Stock or 4.5%, which represents 689,812 shares of Common Stock, options to purchase 928,019 shares of Common Stock and 354,336 shares of Common Stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of June 5, 2023.

PROPOSAL TWO

ADVISORY VOTE ON COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with the Dodd-Frank Act, and Section 14A of the Exchange Act, the Board is asking stockholders to approve an advisory (non-binding) resolution on the compensation of our named executive officers. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. The text of the resolution is as follows:

> RESOLVED, that the stockholders of Magnachip Semiconductor Corporation approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the proxy statement for the Company's 2023 annual meeting of stockholders pursuant to the compensation disclosure rules of the Securities Exchange Act of 1934, as amended (which disclosure includes the Compensation Discussion and Analysis section, the Summary Compensation Table for 2022 and the related compensation tables and narrative disclosure within the executive compensation sections of the proxy statement).

The Company urges you to read the disclosure under ''Compensation Discussion and Analysis,'' in this Proxy Statement, which discusses how our compensation policies and procedures implement our pay-for-performance compensation philosophy. You should also read the Summary Compensation Table and other related compensation tables and narrative disclosure which provide additional details about the compensation of our named executive officers for fiscal year 2022. We have designed our executive compensation structure to attract, motivate, and retain executives with the skills required to formulate and implement the Company's strategic objectives and create stockholder value. We believe that our executive compensation program is reasonable, competitive and strongly focused on pay for performance principles, and provides an appropriate balance between risk and incentives.

The vote regarding the compensation of the named executive officers described above, referred to as a ''say-on-pay advisory vote,'' is advisory, and is therefore not binding on the Company, the Compensation Committee or the Board. Although non-binding, the Board and the Compensation Committee value the opinions that stockholders express in their votes and will review the voting results and take them into consideration when making future decisions regarding our executive compensation programs as they deem appropriate.

If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote ''FOR'' the approval of the compensation of the named executive officers as disclosed in this Proxy Statement and described above.

The Board recommends that you vote "FOR" the approval of our named executive officer compensation.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2023

Samil PricewaterhouseCoopers has been selected by the Audit Committee as the principal independent registered public accounting firm for the fiscal year ending December 31, 2023 for us and our subsidiaries. Our Board recommends a vote for ratification of the appointment of Samil PricewaterhouseCoopers as the independent registered public accounting firm to audit the books and accounts for us and our subsidiaries for the fiscal year ending December 31, 2023. It is expected that representatives of Samil PricewaterhouseCoopers will attend the Annual Meeting, with the opportunity to make a statement if they so desire, and, if a representative is in attendance, the representative will be available to answer appropriate questions.

The appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm is not required to be submitted to a vote of our stockholders for ratification. However, our Board believes that obtaining stockholder ratification is a sound governance practice. If our stockholders fail to vote on an advisory basis in favor of the appointment of Samil PricewaterhouseCoopers, the Audit Committee will take such actions as it deems necessary as a result of such stockholder vote.

Fees Paid to Independent Registered Public Accounting Firm

The following table presents fees billed for professional services rendered by Samil PricewaterhouseCoopers and its affiliates for the years ended December 31, 2022 and 2021.

	Year Ended December 31	
	2022	2021
	(in millions)	
Audit fees	$1.5	$1.4
Audit Related fees	—	—
Tax fees	—	—
All other fees	—	$ 0
Total	$1.5	$1.4

Policy and Procedure for Approval of Audit and Permitted Non-Audit Services

All audit fees were pre-approved by the Company's Audit Committee, which concluded that the provision of such services by Samil PricewaterhouseCoopers and its affiliates was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. With respect to outside auditor independence, the Audit Committee Charter provides for pre-approval of audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement. The Audit Committee Charter authorizes the Audit Committee to delegate to one or more of its members the authority to grant pre-approvals for such services, provided that the decisions of such member(s) to grant any such pre-approval shall be presented to the Audit Committee at its next scheduled meeting. The Audit Committee followed these guidelines in approving all services rendered by Samil PricewaterhouseCoopers and its affiliates.

The Board recommends that you vote "FOR" the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the fiscal year ending December 31, 2023.

PROPOSAL FOUR

APPROVAL OF OUR AMENDED AND RESTATED 2020 EQUITY AND INCENTIVE COMPENSATION PLAN

General

On April 14, 2023, upon the recommendation of the Compensation Committee, the Board amended and restated our 2020 Equity and Incentive Compensation Plan (the ''Plan''), subject to the approval of the Company's stockholders at the Annual Meeting, in order to increase the aggregate number of shares of the Company's Common Stock, available for issuance thereunder by 1,990,000 shares (as amended, the ''Amended Plan''). As of April 6, 2023, 601,536 shares remained available for future grants under the Plan.

The Board recommends that you vote to approve the Amended Plan, so that the Company has a sufficient reserve of Common Stock to incentivize, attract and retain talent in the highly competitive market and industry in which we operate, and to align the interests of our employees and non-employee directors essential to the Company's long-term growth and success with those of our stockholders. We expect that the total number of shares available under the Amended Plan, if approved, would meet our equity compensation needs for approximately the next two to three years.

If the Amended Plan is approved by stockholders at the Annual Meeting, the share reserve increase will be effective as of the day of the Annual Meeting. If the Amended Plan is not approved by our stockholders, the Amended Plan will not become effective and the Plan, as in effect prior to the amendment and restatement, will continue in effect without giving effect to the proposed share increase.

The Amended Plan is attached to this Proxy Statement as Appendix A. The following description of the Amended Plan is only a summary of its principal terms and provisions and is qualified by reference to the actual text as set forth in Appendix A.

Rationale for the Proposed Share Increase

The Plan authorizes the Board and the Compensation Committee to provide cash awards and equity-based compensation for the purpose of providing incentives and rewards for service and/or performance to our non-employee directors, officers and other employees of the Company and its subsidiaries, and certain consultants to the Company and its subsidiaries.

We believe our future success depends in part on our ability to attract, motivate and retain high quality employees and directors and that the ability to provide equity-based and incentive-based awards under the Plan is critical to achieving this success. We would be at a severe competitive disadvantage if we could not use stock-based awards to recruit and compensate our employees and directors. The use of Common Stock as part of our compensation program is important because equity-based awards are an essential component of our compensation program for key employees, as they help link compensation with long-term stockholder value creation and reward participants based on service and/or performance.

As of April 6, 2023, 601,536 shares of Common Stock remained available for new awards under the Plan. This amount does not reflect the additional 1,990,000 shares reserved under the Amended Plan, as set forth in this proposal. If the Amended Plan is not approved, we may be compelled to significantly increase the cash component of our employee and director compensation. This approach may not necessarily align employee and director compensation interests with the investment interests of our stockholders. Replacing equity awards with cash also would increase cash compensation expense and use cash that could be better utilized in other ways.

The following includes information regarding our view of the overhang and dilution associated with the Amended Plan. This information is as of April 6, 2023. As of that date, there were approximately 42,514,556 shares of Common Stock outstanding.

Proposed shares of Common Stock available for awards under the Amended Plan:

- 1,990,000 new shares (approximately 4.68% of our outstanding Common Stock, which percentage reflects the simple dilution of our stockholders that would occur if the Amended Plan is approved) plus 601,536 shares that were available as of April 6, 2023 under the Plan, or an aggregate of 2,591,536 shares (approximately 6.1% of our outstanding Common Stock) all subject to adjustment, including under the share counting rules of the Amended Plan.
- The total number of shares of Common Stock subject to outstanding awards under the Plan as of April 6, 2023 (3,347,638 shares), plus the 2,591,536 of shares of Common Stock available for future awards under the Amended Plan, represent a total overhang of 5,939,174 shares (13.97%) under the Amended Plan. The 1,990,000 new shares represent an increase in the overhang percentage from approximately 9.29% to approximately 13.97%.

Based on the closing price on the New York Stock Exchange for our Common Stock on April 6, 2023 of $9.08 per share, the aggregate market value as of April 6, 2023 of the new 1,990,000 shares of Common Stock requested under the Amended Plan was $18,069,200.

In fiscal years 2020, 2021 and 2022, we granted awards (including stock options, RSUs and PSUs) under the Plan covering 118,608 shares, 429,556 shares, and 725,910 shares, respectively. Based on our basic weighted average shares of Common Stock outstanding for those three fiscal years of 35,213,525, 44,879,412, and 44,850,791, respectively, for the three-fiscal-year period 2020-2022, our average burn rate, not taking into account forfeitures, was 1.0%. (Our individual years' burn rates were 0.3% for fiscal 2020, 1.0% for fiscal 2021 and 1.6% for fiscal 2022.)

In determining the size of the requested share increase under the Amended Plan, our Board and Compensation Committee worked with management and the Compensation Committee's independent compensation consultant to evaluate a number of factors, including our corporate strategy and compensation needs, our recent and projected share usage, share usage at companies in our compensation peer group, the total potential dilution level, and criteria expected to be utilized by institutional proxy advisory firms in evaluating our proposal for the Amended Plan. The Board and Compensation Committee believe that approving an additional 1,990,000 shares for issuance under the Amended Plan is appropriate and in the best interests of stockholders given the current expectations on hiring, the highly competitive environment in which we recruit and retain employees, the Company's current stock price and our projected share usage.

If the Amended Plan is approved, we intend to utilize the additional shares authorized under the Amended Plan to continue our practice of incentivizing key individuals through equity grants. We currently anticipate that the shares requested in connection with the approval of the Amended Plan will last for about two to three years, including based on our historic grant rates, new hiring and the approximate current share price, but could last for a different period of time if actual practice does not match recent rates or our share price changes materially.

Future benefits that may be received by our non-employee directors in 2023 under the Amended Plan are set forth below in the New Plan Benefits table. Any other benefits to be granted in the future under the Amended Plan cannot be determined at this time, as the actual awards will be made at the discretion of the Compensation Committee.

We believe that we have demonstrated a commitment to sound equity compensation practices in recent years. We recognize that equity compensation awards dilute stockholders' equity, so we have carefully managed our equity incentive compensation program. Our equity compensation practices are intended to be competitive and consistent with market practices, and we believe our historical share usage has been responsible and mindful of stockholder interests, as described above.

As Approved by the Stockholders in 2020, the Plan Already Contains Good Compensation and Governance Practices

No evergreen; reasonable award limits

Neither the Plan nor the Amended Plan contains an evergreen provision that automatically adds additional shares of Common Stock to the available pool of stock available for grant under the plan every year without additional stockholder approval.

The Amended Plan provides that, subject as applicable to adjustment and the applicable Common Stock counting provisions as described in the Amended Plan:

- The aggregate number of shares of Common Stock actually issued or transferred upon the exercise of incentive stock options (as defined below) will not exceed 1,309,000 shares of Common Stock. This number is unchanged from the number in the Plan.
- No non-employee director will be granted, in any one calendar year, compensation for such service having an aggregate maximum value (measured at the date of grant as applicable, and calculating the value of any awards based on the grant date fair value for financial reporting purposes) in excess of $650,000. This number is unchanged from the maximum value number in the Plan.

Limited share recycling provisions

Subject to certain exceptions described in the Amended Plan, if any award granted under the Amended Plan (in whole or in part) is canceled or forfeited, expires, is settled for cash or is unearned, the Common Stock subject to such award, to the extent of such cancellation, forfeiture, expiration, cash settlement or unearned amount, will again be available under the Amended Plan. Additionally, if after the effective date of the Amended Plan, any Common Stock subject to an award granted under the ''Predecessor Plans'' (the Company's 2011 Equity Incentive Plan and 2009 Common Unit Plan) is forfeited, or an award granted under the Predecessor Plans (in whole or in part) is cancelled or forfeited, expires, is settled for cash or is unearned, the Common Stock subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement or unearned amount, be available for awards under the Amended Plan. The following Common Stock will not be added (or added back, as applicable) to the aggregate share limit under the Amended Plan: (1) Common Stock withheld by us, tendered or otherwise used in payment of the exercise price of a stock option granted under the Amended Plan; and (2) Common Stock reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of stock options granted under the Amended Plan. Further, Common Stock covered by share-settled SARs that is exercised and settled in shares, but that is not actually issued to the participant upon exercise, will not be added back to the aggregate number of shares available under the Amended Plan. In addition, Common Stock withheld by us, tendered or otherwise used to satisfy tax withholding will not be added (or added back, as applicable) to the aggregate share limit under the Amended Plan. If a participant elects to give up the right to receive compensation in exchange for Common Stock based on fair market value, such Common Stock will not count against the aggregate number of shares available under the Amended Plan. The share recycling provisions in the Amended Plan are unchanged from the provisions in the Plan.

No repricing without stockholder approval

Outside of certain corporate transactions or adjustment events described in the Amended Plan or in connection with a ''change in control,'' the exercise or base price of outstanding stock options and SARs cannot be reduced, and outstanding ''underwater'' stock options or SARs cannot be cancelled in exchange for cash or replaced with other awards, stock options or SARs with a lower exercise or base price, as applicable, without stockholder approval under the Amended Plan. The repricing provision in the Amended Plan is unchanged from the provision in the Plan.

Non-liberal change in control definition

The Amended Plan and the Plan both include the same non-liberal definition of ''change in control,'' which is described below.

Exercise or base price limitation

The Amended Plan and the Plan both provide that, except with respect to certain converted, assumed or substituted awards as described in the Amended Plan or the Plan, as the case may be, no stock options or SARs will be granted with an exercise or base price less than the fair market value of a share of Common Stock on the date of grant.

No dividends paid on unvested awards

The Amended Plan and the Plan both provide that any dividends or dividend equivalent rights on restricted stock, RSUs, performance shares and performance units will be deferred until, and paid contingent upon, the vesting of the underlying award.

Summary of Other Material Terms of the Amended Plan

The Amended Plan authorizes the Board and the Compensation Committee to provide cash awards and equity-based compensation in the form of stock options, SARs, restricted stock, RSUs, performance shares, performance units, dividend equivalents and certain other awards, including those denominated or payable in, or otherwise based on, Common Stock, for the purpose of providing incentives and rewards for service and/or performance to our non-employee directors, officers and other employees of the Company and its subsidiaries, and certain consultants to the Company and its subsidiaries.

Administration

The Amended Plan is generally administered by the Compensation Committee (or its successor), or any other committee of the Board designated by the Board to administer the Amended Plan; provided, however, that notwithstanding anything in the Amended Plan to the contrary, the Board may grant awards under the Amended Plan to non-employee directors and administer the Amended Plan with respect to such awards. References to the ''Committee'' in this proposal generally refer to the Compensation Committee or such other committee designated by the Board, or the Board, as applicable. The Committee may from time to time delegate all or any part of its authority under the Amended Plan to a subcommittee. Any interpretation, construction and determination by the Committee of any provision of the Amended Plan, or of any agreement, notification or document evidencing the grant of awards under the Amended Plan, will be final and conclusive. To the extent permitted by applicable law, the Committee may delegate to one or more of its members or to one or more officers, or to one or more agents or advisors, such administrative duties or powers as it deems advisable, and the Committee, the subcommittee or any other such person to whom duties or powers have been delegated may employ persons to render advice with respect to a responsibility of the Committee, subcommittee or other such person. In addition, the Committee may by resolution, subject to certain restrictions set forth in the Amended Plan, authorize one or more officers of the Company to (1) designate employees to be recipients of awards under the Amended Plan and (2) determine the size of such awards. The Committee may not, however, delegate such responsibilities to officers for awards granted to non-employee directors or certain officers who are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). The Committee is authorized to take any other action it determines to be appropriate subject to the express limitations contained in the Amended Plan.

Eligibility

Any person who is selected by the Committee to receive benefits under the Amended Plan and who is at that time an officer or other employee of the Company or any of its subsidiaries is eligible to participate in the Amended Plan. In addition, non-employee directors of the Company and certain consultants who provide services to the Company or any of its subsidiaries that are equivalent to those typically provided by an employee (provided that such persons satisfy the Form S-8 definition of ''employee'') may also be selected by the Committee to participate in the Amended Plan. As of March 31, 2023, there were approximately 903 employees of the Company and its subsidiaries, 4 consultants to the Company and its subsidiaries and 5 non-employee directors of the Company eligible to participate in the Amended Plan. The basis for participation in the Amended Plan by eligible persons is the selection of such persons for participation by the Committee (or its proper delegate) in its discretion.

Shares available for awards under the Amended Plan

Subject to adjustment as described in the Amended Plan share counting rules, the number of shares of Common Stock available under the Amended Plan for awards of:

- stock options or SARs;
- restricted stock;
- RSUs;
- performance shares or performance units;
- other stock-based awards under the Amended Plan; or
- dividend equivalents paid with respect to awards under the Amended Plan;

will not exceed, in the aggregate, 1,990,000 shares of Common Stock plus Common Stock that becomes available under the Amended Plan as a result of cancellation, forfeiture, expiration, cash settlement or less-than-maximum earning of Amended Plan awards (or, as described, awards under the Predecessor Plans), after the effective date of the Amended Plan.

Share counting

Generally, the aggregate number of shares of Common Stock available under the Amended Plan will be reduced by one share of Common Stock for every one share of Common Stock subject to an award granted under the Amended Plan.

Types of awards under the Amended Plan

Pursuant to the Amended Plan, the Company may grant cash incentive awards and stock options (including stock options intended to be ''incentive stock options'' as defined in Section 422 of the Code or any successor provision), SARs, restricted stock, RSUs, performance shares, performance units and certain other awards based on or related to our Common Stock.

Generally, each grant of an award under the Amended Plan will be evidenced by an award agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee (an ''Evidence of Award''), which will contain such terms and provisions as the Committee may determine, consistent with the Amended Plan. A brief description of the types of awards which may be granted under the Amended Plan is set forth below.

Stock options

A stock option is a right to purchase Common Stock upon exercise of the stock option. Stock options granted to an employee under the Amended Plan may consist of either an incentive stock option, a non-qualified stock option that is not intended to be an ''incentive stock option'' under Section 422 of the Code, or a combination of both. Incentive stock options may only be granted to employees of the Company or certain of our related corporations. Except with respect to awards issued in substitution for, in conversion of, or in connection with an assumption of stock options held by awardees of an entity engaging in a corporate acquisition or merger with us or any of our subsidiaries, stock options must have an exercise price per share of Common Stock that is not less than the fair market value of a share of Common Stock on the date of grant. The term of a stock option may not extend more than 10 years from the date of grant. The Committee may provide in an Evidence of Award for the automatic exercise of a stock option upon such terms and conditions as established by the Committee.

Each grant of a stock option will specify the applicable terms of the stock option, including the number of shares of Common Stock subject to the stock option and the required period or periods of the participant's continuous service, if any, before any stock option or portion of a stock option will become exercisable. Stock options may provide for continued vesting or the earlier vesting of the stock options, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control.

Any grant of stock options may specify management objectives regarding the vesting of the stock options. Each grant will specify whether the consideration to be paid in satisfaction of the exercise price will be payable: (1) in cash, by check acceptable to the Company, or by wire transfer of immediately available funds; (2) by the actual or constructive transfer to the Company of Common Stock owned by the participant with a value at the time of exercise that is equal to the total exercise price; (3) subject to any conditions or limitations established by the Committee, by a net exercise arrangement pursuant to which the Company will withhold Common Stock otherwise issuable upon exercise of a stock option; (4) by a combination of the foregoing methods; or (5) by such other methods as may be approved by the Committee. To the extent permitted by law, any grant may provide for deferred payment of the exercise price from the proceeds of a sale through a bank or broker of some or all of the shares to which the exercise relates. Stock options granted under the Amended Plan may not provide for dividends or dividend equivalents.

SARs

The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of SARs. A SAR is a right to receive from us an amount equal to 100%, or such lesser percentage as the Committee may determine, of the spread between the base price and the fair market value of a share of Common Stock on the date of exercise.

Each grant of SARs will specify the period or periods of continuous service, if any, by the participant with the Company or any subsidiary that is necessary before the SARs or installments of such SARs will vest. SARs may provide for continued vesting or earlier vesting, including in the case of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. Any grant of SARs may specify management objectives regarding the vesting of such SARs. A SAR may be paid in cash, Common Stock or any combination of the two.

Except with respect to awards issued in substitution for, in conversion of, or in connection with an assumption of SARs held by awardees of an entity engaging in a corporate acquisition or merger with us or any of our subsidiaries, the base price of a SAR may not be less than the fair market value of a share of Common Stock on the date of grant. The term of a SAR may not extend more than 10 years from the date of grant. The Committee may provide in an Evidence of Award for the automatic exercise of a SAR upon such terms and conditions as established by the Committee. SARs granted under the Amended Plan may not provide for dividends or dividend equivalents.

Restricted stock

Each grant or sale of restricted stock constitutes an immediate transfer of the ownership of Common Stock to the participant in consideration of the performance of services, entitling such participant to voting, dividend and other ownership rights (subject in particular to certain dividend provisions in the Amended Plan, as described below), but subject to the substantial risk of forfeiture and restrictions on transfer determined by the Committee for a period of time determined by the Committee or until certain management objectives specified by the Committee are achieved. Each such grant or sale of restricted stock may be made without additional consideration or in consideration of a payment by the participant that is less than the fair market value per share of Common Stock on the date of grant.

Any grant of restricted stock may specify management objectives regarding the vesting of the restricted stock. Any grant of restricted stock may require that any and all dividends or other distributions paid on restricted stock that remains subject to a substantial risk of forfeiture be automatically deferred and/or reinvested in additional restricted stock, which will be subject to the same restrictions as the underlying restricted stock, but any such dividends or other distributions on restricted stock must be deferred until, and paid contingent upon, the vesting of such restricted stock. Restricted shares may provide for continued vesting or the earlier vesting of such restricted stock, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. Each grant of restricted stock will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to the Amended Plan and will contain such terms and provisions, consistent with the Amended Plan, as the Committee may approve.

RSUs

Each grant or sale of RSUs awarded under the Amended Plan will be evidenced by an Evidence of Award and constitutes an agreement by the Company to deliver Common Stock, cash or a combination of the two to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include achievement regarding management objectives) during the restriction period as the Committee may specify in the Evidence of Award. Each grant or sale of RSUs may be made without additional consideration or in consideration of a payment by the participant that is less than the fair market value per share of Common Stock on the date of grant.

RSUs may provide for continued vesting or the earlier lapse or other modification of the restriction period, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. During the restriction period applicable to RSUs, the participant will have no right to transfer any rights under the award and will have no rights of ownership in the Common Stock deliverable upon payment of the RSUs and no right to vote them. Rights to dividend equivalents may be extended to and made part of any RSU award at the discretion of the Committee, on a deferred and contingent basis, based upon the vesting of such RSUs. Each grant or sale of RSUs will specify the time and manner of payment of the RSUs that have been earned and that the amount payable with respect thereto will be paid in cash, Common Stock or any combination of the two.

Performance shares, performance units and cash incentive awards

Performance shares, performance units and cash incentive awards may also be granted to participants under the Amended Plan, and will be evidenced by an Evidence of Award. A performance share is a bookkeeping entry that records the equivalent of one share of Common Stock, and a performance unit is a bookkeeping entry that records a unit equivalent to $1.00 or such other value as determined by the Committee. Each grant will specify the number or amount of performance shares or performance units, or the amount payable with respect to a cash incentive award being awarded, which number or amount may be subject to adjustment to reflect changes in compensation or other factors.

Each grant of a cash incentive award, performance shares or performance units will specify management objectives regarding the earning of the award. Each grant will specify the time and manner of payment of performance shares, performance units or a cash incentive award that have been earned.

At the discretion of the Committee, any grant of performance shares or performance units may provide for the payment of dividend equivalents in cash or in additional Common Stock, which dividend equivalents will be subject to deferral and payment on a contingent basis based on the participant's earning and vesting of the performance shares or performance units, as applicable, with respect to which such dividend equivalents are paid.

The performance period with respect to each grant of performance shares or performance units or cash incentive award will be a period of time determined by the Committee and within which the management objectives relating to such award are to be achieved. The performance period may be subject to continued vesting or earlier lapse or other modification, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control.

Other awards

Subject to applicable law and applicable share limits under the Amended Plan, the Committee may grant to any participant Common Stock or such other awards (''Other Awards'') that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock or factors that may influence the value of such Common Stock, including, without limitation: convertible or exchangeable debt securities; other rights convertible or exchangeable into Common Stock; purchase rights for Common Stock; awards with value and payment contingent upon performance of the Company or specified subsidiaries or affiliates or other business units or any other factors designated by the Committee; and awards valued by reference to the book value of the Common Stock or the value of securities of, or the performance of, the Company or specified subsidiaries or affiliates or other business units of the Company. The terms and conditions of any such awards will be determined by the Committee. Common Stock delivered under such an award in the nature of a purchase right granted under the Amended Plan will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, Common Stock, other awards, notes or other property, as the Committee determines.

In addition, the Committee may grant cash awards, as an element of or supplement to any other awards granted under the Amended Plan. The Committee may also authorize the grant of Common Stock as a bonus or may authorize the grant of Other Awards in lieu of obligations of the Company or a subsidiary to pay cash or deliver other property under the Amended Plan or under other plans or compensatory arrangements, subject to terms determined by the Committee in a manner that complies with Section 409A of the Code.

Other Awards may provide for the earning or vesting of, or earlier elimination of restrictions applicable to, such award, including in the event of the retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. The Committee may provide for the payment of dividends or dividend equivalents on Other Awards on a deferred and contingent basis, in cash or in additional Common Stock, based upon the earning and vesting of such awards.

Change in control

The Amended Plan includes a definition of "change in control." In general, except as may be otherwise prescribed by the Committee in an Evidence of Award, a change in control shall be deemed to have occurred upon the occurrence of any one or a combination of the following events (subject to certain exceptions and limitations and as further described in the Amended Plan): (1) any individual, entity or group is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total fair market value or the total combined voting power of the then-outstanding Common Stock or voting shares of the Company (subject to certain exceptions); (2) a transaction in which the stockholders immediately before the transaction do not retain ownership of more than 50% of the total combined voting power of the outstanding voting securities of the Company (or the entity to which the assets of the Company were transferred); or (3) consummation of a complete liquidation or dissolution of the Company after approval of the same by the stockholders of the Company; provided, however, the transactions described in (1) or (2) above shall not constitute a change in control if a majority of the members of the board of directors of the continuing, surviving or successor entity (or parent thereof) immediately after such transaction is comprised of incumbent directors.

Management objectives

The Amended Plan generally provides that any of the awards set forth above may be granted subject to the achievement of specified management objectives. Management objectives are defined as the measurable performance objective or objectives established pursuant to the Amended Plan for participants who have received grants of performance shares, performance units or cash incentive awards or, when so determined by the Committee, stock options, SARs, restricted stock, RSUs, dividend equivalents or Other Awards.

Additionally, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the management objectives unsuitable, the Committee may in its discretion modify such management objectives or the goals or actual levels of achievement, in whole or in part, as the Committee deems appropriate and equitable.

Transferability of awards

Except as otherwise provided by the Committee, and subject to the terms of the Amended Plan with respect to Section 409A of the Code, no stock option, SAR, restricted stock, RSU, performance share, performance unit, cash incentive award, Other Award or dividend equivalents paid with respect to awards made under the Amended Plan will be transferable by a participant except by will or the laws of descent and distribution. In no event will any such award granted under the Amended Plan be transferred for value. Except as otherwise determined by the Committee, stock options and SARs will be exercisable during the participant's lifetime only by him or her or, in the event of the participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the participant in a fiduciary capacity under state law or court supervision.

The Committee may specify on the grant date that all or part of certain types of the Common Stock that is subject to awards under the Amended Plan will be subject to further restrictions on transfer, including minimum holding periods.

Adjustments

The Committee will make or provide for such adjustments in: (1) the number and kind of shares of Common Stock covered by outstanding stock options, SARs, restricted stock, RSUs, performance shares and performance units granted under the Amended Plan; (2) if applicable, the number and kind of shares of Common Stock covered by Other Awards granted pursuant to the Amended Plan; (3) the exercise price or base price provided in outstanding stock options and SARs, respectively; (4) cash incentive awards; and (5) other award terms, as the Committee in its sole discretion, exercised in good faith determines to be equitably required in order to prevent dilution or enlargement of the rights of participants that otherwise would result from (a) any extraordinary cash dividend, stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company; (b) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities; or (c) any other corporate transaction or event having an effect similar to any of the foregoing.

In the event of any such transaction or event, or in the event of a change in control of the Company, the Committee may provide in substitution for any or all outstanding awards under the Amended Plan such alternative consideration (including cash), if any, as it may in good faith determine to be equitable under the circumstances and will require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each stock option or SAR with an exercise price or base price, respectively, greater than the consideration offered in connection with any such transaction or event or change in control of the Company, the Committee may in its discretion elect to cancel such stock option or SAR without any payment to the person holding such stock option or SAR. The Committee will make or provide for such adjustments to the numbers of shares of Common Stock available under the Amended Plan and the share limits of the Amended Plan as the Committee in its sole discretion may in good faith determine to be appropriate to reflect such transaction or event. Any adjustment to the limit on the number of shares of Common Stock that may be issued upon exercise of incentive stock options, however, will be made only if and to the extent such adjustment would not cause any stock option intended to qualify as an incentive stock option to fail to so qualify.

Prohibition on repricing

Except in connection with certain corporate transactions or changes in the capital structure of the Company or in connection with a change in control, the terms of outstanding awards may not be amended to (1) reduce the exercise price or base price of outstanding stock options or SARs, respectively, or (2) cancel outstanding "underwater" stock options or SARs in exchange for cash, Other Awards or stock options or SARs with an exercise price or base price, as applicable, that is less than the exercise price or base price of the original stock options or SARs, as applicable, without stockholder approval. The Amended Plan specifically provides that this provision is intended to prohibit the repricing of "underwater" stock options and SARs and that it may not be amended without approval by our stockholders.

Detrimental activity and recapture

Any Evidence of Award may reference a clawback policy of the Company or provide for the cancellation or forfeiture of an award or forfeiture and repayment to us of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if any participant, either during employment or other service with us or a subsidiary or within a specified period after such employment or service, engages in any detrimental activity, as described in the applicable Evidence of Award or such clawback policy. In addition, any Evidence of Award or such clawback policy may provide for cancellation or forfeiture of an award or the forfeiture and repayment of any Common Stock issued under and/or any other benefit related to an award, or other provisions intended to have a similar effect, including upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules and regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

Accommodations for participants of different nationalities

In order to facilitate the making of any grant or combination of grants under the Amended Plan, the Committee may provide for such special terms for awards to participants as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom given that participants are expected to be nationals of the United States and other countries, or to be employed by us or one of our subsidiaries within and outside of the United States. The Committee may approve such supplements to, or amendments, restatements or alternative versions of, the Amended Plan (including sub-plans) (to be considered part of the Amended Plan) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Amended Plan as in effect for any other purpose, provided that no such special terms, supplements, amendments or restatements will include any provisions that are inconsistent with the terms of the Amended Plan as then in effect unless the Amended Plan could have been amended to eliminate such inconsistency without further approval by our stockholders.

Withholding

To the extent the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a participant or other person under the Amended Plan, and the amounts available to us for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld, which arrangements may include relinquishment of a portion of such benefit. If a participant's benefit is to be received in the form of Common Stock, then, (i) for participants who are "officers" subject to Section 16 of the Exchange Act, unless otherwise determined by the Committee, we will withhold Common Stock having a value equal to the amount required to be withheld under applicable income and employment tax laws and (ii) for participants who are not "officers" subject to Section 16 of the Exchange Act, we may withhold Common Stock having a value equal to the amount required to be withheld under applicable income and employment tax laws. The Common Stock used for tax or other withholding will be valued at an amount equal to the fair market value of such Common Stock on the date the benefit is to be included in the participant's income. In no event will the fair market value of the Common Stock to be withheld and delivered pursuant to the Amended Plan exceed the minimum amount required to be withheld, unless (1) an additional amount can be withheld and not result in adverse accounting consequences, (2) such additional withholding amount is authorized by the Committee, and (3) the total amount withheld does not exceed the participant's estimated tax obligations attributable to the applicable transaction. Participants will also make such arrangements as the Company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of Common Stock acquired upon the exercise of stock options.

No right to continued employment

The Amended Plan does not confer upon any participant any right with respect to continuance of employment or service with the Company or any of its subsidiaries.

Effective date of the Amended Plan

The Amended Plan will become effective on the date it is approved by the Company's stockholders.

Amendment and termination of the Amended Plan

The Board generally may amend the Amended Plan from time to time in whole or in part. If any amendment, however, for purposes of applicable stock exchange rules (and except as permitted under the adjustment provisions of the Amended Plan) (1) would materially increase the benefits accruing to participants under the Amended Plan, (2) would materially increase the number of securities which may be issued under the Amended Plan, (3) would materially modify the requirements for participation in the Amended Plan, or (4) must otherwise be approved by our stockholders in order to comply with applicable law or the rules of the New York Stock Exchange, or, if the Common Stock is not traded on the New York Stock Exchange, the principal national securities exchange upon which the Common Stock is traded or quoted, all as determined by the Board, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained.

Further, subject to the Amended Plan's prohibition on repricing, the Committee generally may amend the terms of any award prospectively or retroactively. Except in the case of certain adjustments permitted under the Amended Plan, no such amendment may be made that would materially impair the rights of any participant without his or her consent. If permitted by Section 409A of the Code and subject to certain other limitations set forth in the Amended Plan, including in the case of termination of employment or service, or in the case of unforeseeable emergency or other circumstances or in the event of a change in control, the Committee may provide for continued vesting or accelerate the vesting of certain awards granted under the Amended Plan or waive any other limitation or requirement under any such award.

The Board may, in its discretion, terminate the Amended Plan at any time. Termination of the Amended Plan will not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. No grant will be made under the Amended Plan on or after the tenth (10th) anniversary of the effective date of the Amended Plan, but all grants made prior to such date will continue in effect thereafter subject to their terms and the terms of the Amended Plan.

Allowances for conversion awards and assumed plans

Common Stock issued or transferred under awards granted under the Amended Plan in substitution for or conversion of, or in connection with an assumption of, stock options, SARs, restricted stock, RSUs or other share or share-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with us or any of our subsidiaries will not count against (or be added to) the aggregate share limit or other Amended Plan limits described above. Additionally, shares available under certain plans that we or our subsidiaries may assume in connection with corporate transactions from another entity may be available for certain awards under the Amended Plan, under circumstances further described in the Amended Plan, but will not count against the aggregate share limit or other Amended Plan limits described above.

New Plan Benefits

Other than the annual grant of RSUs to our non-employee directors under our director compensation policy (the amounts of which are set forth in the table below for 2023), any equity- or cash-based compensation awards to be granted in the future under the Amended Plan to eligible individuals, including employees, officers and non-employee directors, cannot be determined at this time because the grants are made in the discretion of the Committee.

Name and Position	Dollar Value of RSUs ($)[1]	Number of RSUs (#)[1]
Young-Joon Kim, *Chief Executive Officer*	—	—
Shin Young Park, *Chief Financial Officer*	—	—
Theodore Kim, *Chief Compliance Officer, Executive Vice President, General Counsel and Secretary*	—	—
Woung Moo Lee, *Executive Vice President and General Manager of Display Solutions and Worldwide Sales*	—	—
Chan Ho Park, *General Manager of Power Solutions*	—	—
Executive Group	—	—
Non-Executive Director Group	975,000[2]	107,382[3]
Non-Executive Officer Employee Group	—	—

(1) Please see "*Compensation Philosophy and Objectives*" and "*Timing of Compensation Decisions*" in the section titled "Compensation Discussion and Analysis" of this Proxy Statement for a detailed description of our named executive officers.

(2) Under our director compensation policy, in 2023, each of our non-employee directors is expected to receive an RSU grant with a value of $165,000; the chairpersons of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee are expected to receive additional RSU grants of $20,000 each; non-chair members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee are expected to receive additional RSU grants of $10,000 each.

(3) This is the estimated total number of 2023 RSUs to be granted to our non-employee directors (assuming our current non-employee directors continue serving their directorship) under the director compensation policy. Equity compensation for our non-employee directors is based on dollar value, which is already determined by the Company's director compensation policy, and we used the closing price of the Company's Common Stock on April 6, 2023, or $9.08, to estimate the number of RSUs to be granted.

U.S. Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the Amended Plan based on federal income tax laws in effect. This summary, which is presented for the information of stockholders considering how to vote on this proposal and not for Amended Plan participants, is not intended to be complete and does not describe federal taxes other than income taxes (such as Medicare and social security taxes), or state, local or foreign tax consequences.

Tax consequences to participants

Restricted shares: The recipient of restricted stock generally will be subject to tax at ordinary income rates on the fair market value of the restricted stock (reduced by any amount paid by the recipient for such restricted stock) at such time as the restricted stock are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code ("Restrictions"). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the restricted shares equal to the excess (if any) of the fair market value of such shares (determined without regard to the Restrictions) over the purchase price, if any, of such restricted stock. If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that are subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the recipient.

Performance shares, performance units and cash incentive awards: No taxable income generally will be recognized upon the grant of performance shares, performance units or cash incentive awards. Upon payment in respect of the earn-out of performance shares, performance units or cash incentive awards, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted Common Stock received.

Nonqualified stock options: In general:

- no taxable income will be recognized by an optionee at the time a non-qualified stock option is granted;
- at the time of exercise of a non-qualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise; and
- at the time of sale of shares acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Incentive stock options: No taxable income generally will be recognized by an optionee upon the grant or exercise of an ‘‘incentive stock option’’ as defined in Section 422 of the Code, except for purpose of the alternative minimum tax. If Common Stock is issued to the optionee pursuant to the exercise of an incentive stock option, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss.

If Common Stock acquired upon the exercise of an incentive stock option is disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) recognized by the participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

SARs: No taxable income will be recognized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares of Common Stock received on the exercise. Any further gain (or loss) recognized by the participant upon any later disposition will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

RSUs: No taxable income generally will be recognized upon the award of RSUs. The recipient of an RSU award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted shares of Common Stock on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such RSUs), and the capital gains/loss holding period for such shares will also commence on such date. In addition, Federal Insurance Contributions Act (“FICA”) taxes are imposed in the year of vesting.

Tax consequences to the Company or its subsidiaries

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction from any applicable federal income tax; provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an ‘‘excess parachute payment’’ within the meaning of Section 280G of the Code and is not disallowed by the $1.0 million limitation on certain executive compensation under Section 162(m) of the Code.

Registration with the SEC

We intend to file a Registration Statement on Form S-8 relating to the issuance of shares of Common Stock under the Amended Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the Amended Plan by our stockholders.

The Board recommends that you vote "FOR" the approval of the Amended Plan.

Please see ''Equity Compensation Plan Information'' table above for information as of December 31, 2022 regarding securities authorized for issuance under the Company's equity compensation plans.

STOCKHOLDER PROPOSALS FOR 2024 ANNUAL MEETING

A stockholder who would like a proposal considered for inclusion in our proxy statement relating to our 2024 annual meeting pursuant to Rule 14a-8 ("Rule 14a-8") under the Exchange Act must be received by the Corporate Secretary of the Company no later than December 19, 2023 and must otherwise comply with Rule 14a-8.

Any stockholder proposals received outside of the Rule 14a-8 procedure for consideration at our 2024 annual meeting must be received by the Corporate Secretary of the Company between January 19, 2024 and February 18, 2024. If, however, the date of the 2024 annual meeting is changed by more than 30 days from the anniversary date of this year's Annual Meeting, the stockholder notice described above will be deemed timely if it is received not later than the close of business on the later of the 90th calendar day prior to such annual meeting and the 10th calendar day after public announcement of the date of such meeting. Such proposals must be addressed to Magnachip Semiconductor Corporation, c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581, Attention: Secretary. We also encourage you to also submit any such proposal via email to investors@magnachip.com. If we do not receive such notice within the timeframe described above, the notice will be considered untimely and the proposal may not be brought.

In addition to the timely notice requirements, a stockholder's proposal for nominees for directors must comply with Section 2.15 of the Company's bylaws and other applicable procedures described therein or established by our Nominating and Corporate Governance Committee. See "The Board of Directors and Corporate Governance—Nominating and Corporate Governance Committee." Stockholder proposals related to other business must also comply with Section 1.10 of the Company's bylaws. Furthermore, any stockholder proposal must comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder.

Our proxy for the 2024 annual meeting will grant authority to the persons named therein to exercise their voting discretion with respect to any matter of which we did not receive notice between January 19, 2024 and February 18, 2024. Notices should be submitted to the address set forth above.

To comply with the universal proxy rules, stockholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than March 19, 2024.

SOLICITATION OF PROXIES

We will bear the costs of soliciting proxies from our stockholders. In addition to the use of the mails, proxies may be solicited by our directors, officers and employees by personal interview, telephone or telegram. Such directors, officers and employees will not be additionally compensated for such solicitation, but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of our Common Stock held of record by such persons, and we will reimburse such brokerage houses, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred in connection therewith.

OTHER MATTERS

The directors know of no other matters which are likely to be brought before the Annual Meeting. The enclosed proxy card grants to the persons named in the proxy card the authority to vote in their best judgment regarding all other matters properly raised at the Annual Meeting.

By Order of the Board of Directors

/s/ Theodore Kim

Theodore Kim
Chief Compliance Officer, Executive Vice President,
General Counsel and Secretary

April 17, 2023

Appendix A

MAGNACHIP SEMICONDUCTOR CORPORATION

2020 EQUITY AND INCENTIVE COMPENSATION PLAN

As Amended and Restated as of May 18, 2023

1. **Purpose.** The purpose of this Plan is to permit award grants to non-employee Directors, Officers, other Employees, and Consultants of the Participating Company Group, and to provide to such persons incentives and rewards for Service and/or performance.

2. **Definitions.** As used in this Plan:

   (a) "Appreciation Right" means a right granted pursuant to **Section 5** of this Plan.

   (b) "Award" means any Option, Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Cash Incentive Award or other award granted under this Plan.

   (c) "Base Price" means the price to be used as the basis for determining the Spread upon the exercise of an Appreciation Right.

   (d) "Board" means the Board of Directors of the Company.

   (e) "Cash Incentive Award" means a cash award granted pursuant to **Section 8** of this Plan.

   (f) "Cause" means, unless such term or an equivalent term is otherwise defined by the applicable Evidence of Award or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant's failure to substantially perform the Participant's customary duties with a Participating Company in the ordinary course (other than such failure resulting from the Participant's incapacity due to physical or mental illness) that, if susceptible to cure, has not been cured as determined by the Participating Company within 30 days after a written demand for substantial performance is delivered to the Participant by the Participating Company, which demand specifically identifies the manner in which such entity believes that the Participant has not substantially performed the Participant's duties; (ii) the Participant's gross negligence, intentional misconduct or fraud in the performance of his or her Service; (iii) the Participant's indictment (or equivalent) for a felony or to a crime involving fraud or dishonesty; (iv) a judicial determination that the Participant committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity; (v) the Participant's material violation of one or more of the Participating Company Group's policies applicable to the Participant's Service as may be in effect from time to time; or (vi) the Participant's conduct that brings or could reasonably be expected to bring the Participating Company Group into public disgrace or disrepute and that has a material adverse effect on the business of the Participating Company Group.

   (g) "Change in Control" has the meaning set forth in **Section 12** of this Plan.

   (h) "Code" means the Internal Revenue Code of 1986 and the regulations thereunder, as such law and regulations may be amended from time to time.

   (i) "Committee" means the Compensation Committee of the Board (or its successor(s)), or any other committee of the Board designated by the Board to administer this Plan pursuant to **Section 10** of this Plan.

   (j) "Company" means MagnaChip Semiconductor Corporation, a Delaware corporation, and its successors.

   (k) "Consultant" means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to this Plan in reliance on registration on Form S-8 under the Securities Act.

(l) ''Date of Grant'' means the date provided for by the Committee on which a grant of Options, Appreciation Rights, Performance Shares, Performance Units, Cash Incentive Awards, or other awards contemplated by **Section 9** of this Plan, or a grant or sale of Restricted Stock, Restricted Stock Units, or other awards contemplated by **Section 9** of this Plan, will become effective (which date will not be earlier than the date on which the Committee takes action with respect thereto).

(m) ''Director'' means a member of the Board.

(n) ''Disability'' means, unless such term or an equivalent term is otherwise defined by the applicable Evidence of Award or other written agreement between a Participant and a Participating Company applicable to an Award, the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(o) ''Dividend Equivalent Right'' means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by this Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(p) ''Effective Date'' means the date this Plan is approved by the Stockholders, which is June 11, 2020.

(q) ''Employee'' means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an ''employee'' as defined under Section 3401(c) of the Code; provided, however, that neither service as a member of the Board nor payment of a Director's fee shall be sufficient to constitute employment for purposes of this Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be.

(r) ''Evidence of Award'' means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of the Awards granted under this Plan. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.

(s) ''Exchange Act'' means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

(t) ''Exercise Price'' means the purchase price payable on exercise of an Option.

(u) ''Fair Market Value'' means, as of any particular date, the closing price of a share of Stock as reported for that date on the New York Stock Exchange or, if the Stock is not then listed on the New York Stock Exchange, on any other national securities exchange on which the Stock is listed, or if there are no sales on such date, on the next preceding trading day during which a sale occurred. If there is no regular public trading market for the Stock, then the Fair Market Value shall be the fair market value as determined in good faith by the Committee. The Committee is authorized to adopt another fair market value pricing method, provided such method is stated in the applicable Evidence of Award and is in compliance with the fair market value pricing rules set forth in Section 409A.

(v) ''Incentive Stock Option'' means an Option that is intended to qualify as an ''incentive stock option'' under Section 422 of the Code or any successor provision.

(w) ''Incumbent Director'' means a Director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a Director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of Directors of the Company).

(x) ''Management Objectives'' means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Options, Appreciation

Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights or other awards pursuant to this Plan. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the goals or actual levels of achievement regarding the Management Objectives, in whole or in part, as the Committee deems appropriate and equitable, to the extent permitted by applicable law.

(y) "Nonstatutory Stock Option" means an Option not intended to be (as set forth in the Evidence of Award) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(z) "Officer" means any person designated by the Board as an officer of the Company.

(aa) "Optionee" means the optionee named in an Evidence of Award evidencing an outstanding Option.

(bb) "Option" means the right to purchase Stock upon exercise of an Award granted pursuant to **Section 4** of this Plan.

(cc) "Ownership Change Event" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the Stockholders of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(dd) "Participant" means a person who is selected by the Committee to receive benefits under this Plan and who is at the time (i) a non-employee Director, (ii) an Officer or other Employee, or (iii) a Consultant.

(ee) "Participating Company" means the Company or any Subsidiary.

(ff) "Participating Company Group" means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(gg) "Performance Period" means, in respect of any Award with Management Objectives, a period of time established within which the Management Objectives relating to such Award are to be achieved.

(hh) "Performance Share" means a bookkeeping entry that records the equivalent of one share of Stock awarded pursuant to **Section 8** of this Plan.

(ii) "Performance Unit" means a bookkeeping entry awarded pursuant to **Section 8** of this Plan that records a unit equivalent to $1.00 or such other value as is determined by the Committee.

(jj) "Plan" means this MagnaChip Semiconductor Corporation 2020 Equity and Incentive Compensation Plan, as may be amended or amended and restated from time to time.

(kk) "Predecessor Plans" means the MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan, as amended or amended and restated from time to time, and the MagnaChip Semiconductor LLC 2009 Common Unit Plan, as amended or amended and restated from time to time.

(ll) "Restricted Stock" means Stock granted or sold pursuant to **Section 6** of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.

(mm) "Restricted Stock Units" means an Award made pursuant to **Section 7** of this Plan of the right to receive Stock, cash or a combination thereof at the end of the applicable Restriction Period.

(nn) "Restriction Period" means the period of time during which Restricted Stock Units are subject to restrictions, as provided in **Section 7** of this Plan.

(oo) "Section 409A" means Section 409A of the Code.

(pp) "Section 409A Deferred Compensation" means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(qq) "Securities Act" means the Securities Act of 1933, as amended.

(rr) "Service" means, unless such term or an equivalent term is otherwise defined by the applicable Evidence of Award or other written agreement between a Participant and a Participating Company applicable to an Award, Participant's employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave or other bona fide leave of absence approved by the Company, provided that the Company shall have discretion to determine the length of any such leave for the purposes of this definition. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ss) "Spread" means the excess of the Fair Market Value on the date when an Appreciation Right is exercised over the Base Price provided for with respect to the Appreciation Right.

(tt) "Stock" means the common stock, par value $0.01 per share, of the Company or any security into which such common stock may be changed by reason of any transaction or event of the type referred to in **Section 11** of this Plan.

(uu) "Stockholder" means an individual or entity that owns one or more shares of Stock.

(vv) "Subsidiary" means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company; provided, however, that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation in which the Company at the time owns or controls, directly or indirectly, more than 50% of the total combined voting power of the then outstanding securities entitled to vote generally in the election of Directors in the case of the Company or members of the board of directors or similar body in the case of another entity represented by all classes of stock issued by such corporation.

3. **Shares Available Under this Plan.**

(a) Maximum Shares Available Under this Plan.

(i) Subject to adjustment as provided in **Section 11** of this Plan and the share counting rules set forth in **Section 3(b)** of this Plan, the number of shares of Stock available under this Plan for Awards of (A) Options or Appreciation Rights, (B) Restricted Stock, (C) Restricted Stock Units, (D) Performance Shares or Performance Units, (E) Awards contemplated by **Section 9** of this Plan, or (F) Dividend Equivalent Rights with respect to Awards made under this Plan will not exceed in the aggregate (x) 3,299,000 shares of Stock, which is inclusive of shares previously authorized for issuance under this Plan, plus (y) the total number of shares remaining available for Awards under the MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan, as amended or amended and restated from time to time, as of the Effective Date, plus (z) the Stock that is subject to Awards granted under this Plan or the Predecessor Plans that is added (or added back, as applicable) to the aggregate number of shares of Stock available under this **Section 3(a)(i)** pursuant to the share counting rules of this Plan. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(ii) Subject to the share counting rules set forth in **Section 3(b)** of this Plan, the aggregate number of shares of Stock available under **Section 3(a)(i)** of this Plan will be reduced by one share of Stock for every one share of Stock subject to an Award granted under this Plan.

(b) Share Counting Rules.

(i) Except as provided in **Section 22** of this Plan, if any Award granted under this Plan (in whole or in part) is cancelled or forfeited, expires, is settled for cash, or is unearned, the Stock subject to such Award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, again be available under **Section 3(a)(i)** above.

(ii) If, after the Effective Date, any Stock subject to an award granted under the Predecessor Plans is forfeited, or an award granted under the Predecessor Plans (in whole or in part) is cancelled or forfeited, expires, is settled for cash, or is unearned, the Stock subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, be available for Awards under this Plan.

(iii) Notwithstanding anything to the contrary contained in this Plan: (A) Stock withheld by the Company, tendered or otherwise used in payment of the Exercise Price of an Option will not be added (or added back, as applicable) to the aggregate number of shares of Stock available under **Section 3(a)(i)** of this Plan; (B) Stock withheld by the Company, tendered or otherwise used to satisfy tax withholding will not be added (or added back, as applicable) to the aggregate number of shares of Stock available under **Section 3(a)(i)** of this Plan; (C) Stock subject to a share-settled Appreciation Right that is not actually issued in connection with the settlement of such Appreciation Right on the exercise thereof will not be added back to the aggregate number of shares of Stock available under **Section 3(a)(i)** of this Plan; and (D) Stock reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options will not be added (or added back, as applicable) to the aggregate number of shares of Stock available under **Section 3(a)(i)** of this Plan.

(iv) If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for Stock based on Fair Market Value, such Stock will not count against the aggregate limit under **Section 3(a)(i)** of this Plan.

(c) Limit on Incentive Stock Options. Notwithstanding anything to the contrary contained in this Plan, and subject to adjustment as provided in **Section 11** of this Plan, the aggregate number of shares of Stock actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 1,309,000 shares of Stock.

(d) Non-Employee Director Compensation Limit. Notwithstanding anything to the contrary contained in this Plan, in no event will any non-employee Director in any one calendar year be granted compensation for such Service having an aggregate maximum value (measured at the Date of Grant as applicable, and calculating the value of any Awards based on the grant date fair value for financial reporting purposes) in excess of $650,000.

4. **Options.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Options. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of shares of Stock to which it pertains subject to the limitations set forth in **Section 3** of this Plan.

(b) Each grant will specify an Exercise Price per share of Stock, which Exercise Price (except with respect to Awards under **Section 22** of this Plan) may not be less than the Fair Market Value on the Date of Grant.

(c) Each grant will specify whether the Exercise Price will be payable (i) in cash, by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of Stock owned by the Optionee having a value at the time of exercise equal to the total Exercise Price, (iii) subject to any conditions or limitations established by the Committee, by the withholding of Stock otherwise issuable upon exercise of an Option pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the Stock so withheld will not be treated as issued and acquired by the Company upon such exercise), (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Committee.

(d) To the extent permitted by law, any grant may provide for deferred payment of the Exercise Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the Stock to which such exercise relates.

(e) Each grant will specify the period or periods of continuous Service by the Optionee with the Participating Company Group, if any, that is necessary before any Options or installments thereof will vest. Options may provide for continued vesting or the earlier vesting of such Options, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

(f) Any grant of Options may specify Management Objectives regarding the vesting of such rights.

(g) Options granted under this Plan may be (i) Incentive Stock Options (ii) Nonstatutory Stock Options or (iii) combinations of the foregoing.

(h) No Option will be exercisable more than 10 years from the Date of Grant. The Committee may provide in any Evidence of Award for the automatic exercise of an Option upon such terms and conditions as established by the Committee.

(i) Options granted under this Plan may not provide for any dividends or Dividend Equivalent Rights thereon.

(j) Each grant of Options will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

5. **Appreciation Rights.**

(a) The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to any Participant of Appreciation Rights. An Appreciation Right will be the right of the Participant to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise.

(b) Each grant of Appreciation Rights may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(i) Each grant may specify that the amount payable on exercise of an Appreciation Right will be paid by the Company in cash, Stock or any combination thereof.

(ii) Each grant will specify the period or periods of continuous Service by the Participant with the Participating Company Group, if any, that is necessary before the Appreciation Rights or installments thereof will vest. Appreciation Rights may provide for continued vesting or the earlier vesting of such Appreciation Rights, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

(iii) Any grant of Appreciation Rights may specify Management Objectives regarding the vesting of such Appreciation Rights.

(iv) Appreciation Rights granted under this Plan may not provide for any dividends or Dividend Equivalent Rights thereon.

(v) Each grant of Appreciation Rights will specify in respect of each Appreciation Right a Base Price, which (except with respect to Awards under **Section 22** of this Plan) may not be less than the Fair Market Value on the Date of Grant.

(vi) No Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant. The Committee may provide in any Evidence of Award for the automatic exercise of an Appreciation Right upon such terms and conditions as established by the Committee.

6. **Restricted Stock.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Stock to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

   (a) Each such grant or sale will constitute an immediate transfer of the ownership of Stock to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights (subject in particular to **Section 6(g)** of this Plan), but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter described.

   (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Fair Market Value on the Date of Grant.

   (c) Each such grant or sale will provide that the Restricted Stock covered by such grant or sale will be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code for a period to be determined by the Committee on the Date of Grant or until achievement of Management Objectives referred to in **Section 6(e)** of this Plan.

   (d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Stock will be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant (which restrictions may include rights of repurchase or first refusal of the Company or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture while held by any transferee).

   (e) Any grant of Restricted Stock may specify Management Objectives regarding the vesting of such Restricted Stock.

   (f) Notwithstanding anything to the contrary contained in this Plan, Restricted Stock may provide for continued vesting or the earlier vesting of such Restricted Stock, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

   (g) Any such grant or sale of Restricted Stock may require that any and all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and/or reinvested in additional Restricted Stock, which will be subject to the same restrictions as the underlying Award. For the avoidance of doubt, any such dividends or other distributions on Restricted Stock will be deferred until, and paid contingent upon, the vesting of such Restricted Stock.

   (h) Each grant or sale of Restricted Stock will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve. Unless otherwise directed by the Committee, (i) all certificates representing Restricted Stock will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such shares or (ii) all Restricted Stock will be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Stock.

7. **Restricted Stock Units.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

   (a) Each such grant or sale will constitute the agreement by the Company to deliver Stock or cash, or a combination thereof, to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include achievement regarding Management Objectives) during the Restriction Period as the Committee may specify.

   (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Fair Market Value on the Date of Grant.

(c) Notwithstanding anything to the contrary contained in this Plan, Restricted Stock Units may provide for continued vesting or the earlier lapse or other modification of the Restriction Period, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

(d) During the Restriction Period, the Participant will have no right to transfer any rights under his or her Award and will have no rights of ownership in the Stock deliverable upon payment of the Restricted Stock Units and will have no right to vote them, but the Committee may, at or after the Date of Grant, authorize the payment of Dividend Equivalent Rights on such Restricted Stock Units on a deferred and contingent basis, either in cash or in additional Stock; provided, however, that Dividend Equivalent Rights or other distributions on Stock underlying Restricted Stock Units shall be deferred until and paid contingent upon the vesting of such Restricted Stock Units.

(e) Each grant or sale of Restricted Stock Units will specify the time and manner of payment of the Restricted Stock Units that have been earned. Each grant or sale will specify that the amount payable with respect thereto will be paid by the Company in Stock or cash, or a combination thereof.

(f) Each grant or sale of Restricted Stock Units will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

8. **Cash Incentive Awards, Performance Shares and Performance Units.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of Cash Incentive Awards, Performance Shares and Performance Units. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number or amount of Performance Shares or Performance Units, or amount payable with respect to a Cash Incentive Award, to which it pertains, which number or amount may be subject to adjustment to reflect changes in compensation or other factors.

(b) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will specify Management Objectives regarding the earning of the Award.

(c) The Performance Period with respect to each Cash Incentive Award or grant of Performance Shares or Performance Units will be such period of time as will be determined by the Committee, which may be subject to continued vesting or earlier lapse or other modification, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

(d) Each grant will specify the time and manner of payment of a Cash Incentive Award, Performance Shares or Performance Units that have been earned.

(e) The Committee may, on the Date of Grant of Performance Shares or Performance Units, provide for the payment of Dividend Equivalent Rights to the holder thereof either in cash or in additional Stock, which Dividend Equivalent Rights will be subject to deferral and payment on a contingent basis based on the Participant's earning and vesting of the Performance Shares or Performance Units, as applicable, with respect to which such Dividend Equivalent Rights are paid.

(f) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

9. **Other Awards.**

(a) Subject to applicable law and the applicable limits set forth in **Section 3** of this Plan, the Committee may authorize the grant to any Participant of Stock or such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, awards with value and payment contingent upon performance of any specified Participating Company, affiliates or business units thereof or any other factors designated by the Committee, and awards valued by reference to the book value of the Stock or the value of securities of, or the performance of specified Participating Companies, affiliates or business units of Participating Companies. The Committee will determine the terms and conditions of such awards. Stock delivered pursuant to an award in the nature of a purchase right granted under this **Section 9** will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, Stock, other awards, notes or other property, as the Committee determines.

(b) Cash awards, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this **Section 9**.

(c) The Committee may authorize the grant of Stock as a bonus, or may authorize the grant of other awards in lieu of obligations of the Participating Company to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as will be determined by the Committee in a manner that complies with Section 409A.

(d) The Committee may, at or after the Date of Grant, authorize the payment of dividends or Dividend Equivalent Rights on awards granted under this **Section 9** on a deferred and contingent basis, either in cash or in additional Stock, based upon the earning and vesting of such awards.

(e) Each grant of an award under this **Section 9** will be evidenced by an Evidence of Award. Each such Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve, and will specify the time and terms of delivery of the applicable award.

(f) Notwithstanding anything to the contrary contained in this Plan, awards under this **Section 9** may provide for the earning or vesting of, or earlier elimination of restrictions applicable to, such award, including in the event of the retirement, death, Disability or termination of Service of a Participant or in the event of a Change in Control.

10. **Administration of this Plan.**

(a) This Plan will be administered by the Committee; provided, however, that notwithstanding anything in this Plan to the contrary, the Board may grant Awards under this Plan to non-employee Directors and administer this Plan with respect to such Awards. The Committee may from time to time delegate all or any part of its authority under this Plan to a subcommittee thereof. To the extent of any such delegation, references in this Plan to the Committee will be deemed to be references to such subcommittee.

(b) The interpretation and construction by the Committee of any provision of this Plan or of any Evidence of Award (or related documents) and any determination by the Committee pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive. No member of the Committee shall be liable for any such action or determination made in good faith. In addition, the Committee is authorized to take any action it determines in its sole discretion to be appropriate subject only to the express limitations contained in this Plan, and no authorization in any Plan section or other provision of this Plan is intended or may be deemed to constitute a limitation on the authority of the Committee.

(c) To the extent permitted by law, the Committee may delegate to one or more of its members, to one or more Officers of the Company, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee, the subcommittee, or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Committee, the subcommittee or such person may have under this Plan. The Committee may, by resolution, authorize one or more Officers of the Company to do one or both of the following on the same basis as the Committee: (i) designate Employees to be recipients of Awards under this Plan; and (ii) determine the size of any such Awards; provided, however, that (A) the Committee will not delegate such responsibilities to any such Officer for Awards granted to an Employee who is an "officer" (for purposes of Section 16 of the Exchange Act), Director, or more than 10% "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act;

(B) the resolution providing for such authorization shall set forth the total number of shares of Stock such Officer(s) may grant; and (C) the Officer(s) will report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

11. **Adjustments.** The Committee shall make or provide for such adjustments in the number of and kind of shares of Stock covered by outstanding Options, Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units granted hereunder and, if applicable, in the number of and kind of shares of Stock covered by other awards granted pursuant to **Section 9** of this Plan, in the Exercise Price and Base Price provided in outstanding Options and Appreciation Rights, respectively, in Cash Incentive Awards, and in other Award terms, as the Committee, in its sole discretion, exercised in good faith, determines is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (a) any extraordinary cash dividend, stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event or in the event of a Change in Control, the Committee may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and shall require in connection therewith the surrender of all Awards so replaced in a manner that complies with Section 409A. In addition, for each Option or Appreciation Right with an Exercise Price or Base Price, respectively, greater than the consideration offered in connection with any such transaction or event or Change in Control, the Committee may in its discretion elect to cancel such Option or Appreciation Right without any payment to the person holding such Option or Appreciation Right. The Committee shall also make or provide for such adjustments in the number of shares of Stock specified in **Section 3** of this Plan as the Committee in its sole discretion, exercised in good faith, determines is appropriate to reflect any transaction or event described in this **Section 11**; provided, however, that any such adjustment to the number specified in **Section 3(c)** of this Plan will be made only if and to the extent that such adjustment would not cause any Option intended to qualify as an Incentive Stock Option to fail to so qualify.

12. **Change in Control**. For purposes of this Plan, except as may be otherwise prescribed by the Committee in an Evidence of Award made under this Plan, a ''Change in Control'' will be deemed to have occurred upon the occurrence (after the Effective Date) of any one or a combination of the following events:

    (a) any ''person'' (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the ''beneficial owner'' (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (i) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (ii) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (iii) any acquisition by the Company, (iv) any acquisition by a trustee or other fiduciary under an employee benefit plan of the Participating Company Group or (v) any acquisition by an entity owned directly or indirectly by the Stockholders in substantially the same proportions as their ownership of the voting securities of the Company; or

    (b) an Ownership Change Event or series of related Ownership Change Events (collectively, a ''Transaction'') in which the Stockholders immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in **Section 2(cc)(iii)**, the entity to which the assets of the Company were transferred (the ''Transferee''), as the case may be; or

    (c) consummation of a complete liquidation or dissolution of the Company after approval of the same by the stockholders of the Company; provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (a) or (b) of this **Section 12** in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more Subsidiary Corporations or other business entities. The Committee shall determine whether multiple acquisitions of the voting securities of the Company and/or multiple Ownership Change Events are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

13. **Detrimental Activity and Recapture Provisions**. Any Evidence of Award may reference a clawback policy of the Company or provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an Award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if a Participant, either (a) during the Participant's Service with the Participating Company Group, or (b) within a specified period after termination of such Service, engages in any detrimental activity, as described in the applicable Evidence of Award or such clawback policy. In addition, notwithstanding anything in this Plan to the contrary, any Evidence of Award or such clawback policy may also provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any Stock issued under and/or any other benefit related to an Award, or other provisions intended to have a similar effect, including upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Stock may be traded.

14. **Accommodations for Participants of Different Nationalities.** In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom given that Participants are expected to be nationals of the United States of America and other countries, or to provide Services to the Participating Company Group both within and outside of the United States of America. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan (including sub-plans) (to be considered part of this Plan) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the secretary or other appropriate Officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the Stockholders.

15. **Transferability.**

(a) Except as otherwise determined by the Committee, and subject to compliance with **Section 17(b)** of this Plan and Section 409A, no Option, Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Cash Incentive Award, award contemplated by **Section 9** of this Plan or Dividend Equivalent Rights paid with respect to Awards made under this Plan will be transferable by the Participant except by will or the laws of descent and distribution. In no event will any such Award granted under this Plan be transferred for value. Where transfer is permitted, references to "Participant" shall be construed, as the Committee deems appropriate, to include any permitted transferee to whom such Award is transferred. Except as otherwise determined by the Committee, Options and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law or court supervision.

(b) The Committee may specify on the Date of Grant that part or all of the Stock that is (i) to be issued or transferred by the Company upon the exercise of Options or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in **Section 6** of this Plan, will be subject to further restrictions on transfer, including minimum holding periods.

16. **Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld, which arrangements may include relinquishment of a portion of such benefit. With respect to Participants who are "officers" subject to Section 16 of the Exchange Act, if the Participant's benefit is to be received in the form of Stock, then, unless otherwise determined by the Committee, the Company will withhold from the Stock required to be delivered to the Participant, shares of Stock having a value equal to the amount required to be withheld under applicable income and employment tax laws. With respect to Participants who are not "officers" subject to Section 16 of the Exchange Act, if the Participant's benefit is to be received in the form of Stock, then, the Company may withhold from the Stock required to be delivered to the Participant, shares of Stock having a value equal to the amount required to be withheld under applicable income and employment tax laws. The Stock used for tax or other withholding will be valued at an amount equal to the Fair Market Value of such Stock on the date the benefit is to be included in Participant's income. In no event will the Fair Market Value of the Stock to be withheld and delivered pursuant to this **Section 16** exceed the minimum amount required to be withheld, unless (i) an additional amount can be withheld and not result in adverse accounting consequences, (ii) such additional withholding amount is authorized by the Committee, and (iii) the total amount withheld does not exceed the Participant's estimated tax obligations attributable to the applicable transaction. Participants will also make such arrangements as the Company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of Stock acquired upon the exercise of Options.

17. **Compliance with Section 409A.**

   (a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A will also include any regulations or any other formal guidance promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service.

   (b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any Section 409A Deferred Compensation payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any Section 409A Deferred Compensation payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owed by a Participant to the Company or any of its Subsidiaries.

   (c) If, at the time of a Participant's separation from service (within the meaning of Section 409A), (i) the Participant will be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes Section 409A Deferred Compensation the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the tenth business day of the seventh month after such separation from service.

   (d) Solely with respect to any Award that constitutes Section 409A Deferred Compensation and that is payable on account of a Change in Control (including any installments or stream of payments that are accelerated on account of a Change in Control), a Change in Control shall occur only if such event also constitutes a "change in the ownership," "change in effective control," and/or a "change in the ownership of a substantial portion of assets'' of the Company as those terms are defined under Treasury Regulation §1.409A-3(i)(5), but only to the extent necessary to establish a time and form of payment that complies with Section 409A, without altering the definition of Change in Control for any purpose in respect of such Award.

(e) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, a Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A), and neither the Company nor any of its affiliates will have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. **Amendments.**

(a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan, for purposes of applicable stock exchange rules and except as permitted under **Section 11** of this Plan, (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan, or (iv) must otherwise be approved by the Stockholders in order to comply with applicable law or the rules of the New York Stock Exchange or, if the Stock is not traded on the New York Stock Exchange, the principal national securities exchange upon which the Stock is traded or quoted, all as determined by the Board, then, such amendment will be subject to Stockholder approval and will not be effective unless and until such approval has been obtained.

(b) Except in connection with a corporate transaction or event described in **Section 11** of this Plan or in connection with a Change in Control, the terms of outstanding Awards may not be amended to reduce the Exercise Price of outstanding Options or the Base Price of outstanding Appreciation Rights, or cancel outstanding ''underwater'' Options or Appreciation Rights (including following a Participant's voluntary surrender of ''underwater'' Options or Appreciation Rights) in exchange for cash, other awards or Options or Appreciation Rights with an Exercise Price or Base Price, as applicable, that is less than the Exercise Price of the original Options or Base Price of the original Appreciation Rights, as applicable, without Stockholder approval. This **Section 18(b)** is intended to prohibit the repricing of ''underwater'' Options and Appreciation Rights and will not be construed to prohibit the adjustments provided for in **Section 11** of this Plan. Notwithstanding any provision of this Plan to the contrary, this **Section 18(b)** may not be amended without approval by the Stockholders.

(c) If permitted by Section 409A, but subject to the paragraph that follows, including in the case of termination of employment or service, or in the case of unforeseeable emergency or other circumstances or in the event of a Change in Control, to the extent a Participant holds an Option or Appreciation Right not immediately exercisable in full, or any Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Cash Incentive Awards, Performance Shares or Performance Units which have not been fully earned, or any Dividend Equivalent Rights or other awards made pursuant to **Section 9** of this Plan subject to any vesting schedule or transfer restriction, or who holds Stock subject to any transfer restriction imposed pursuant to **Section 15(b)** of this Plan, the Committee may, in its sole discretion, provide for continued vesting or accelerate the time at which such Option, Appreciation Right or other award may vest or be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Cash Incentive Awards, Performance Shares or Performance Units will be deemed to have been earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such Award.

(d) Subject to **Section 18(b)** of this Plan, the Committee may amend the terms of any Award theretofore granted under this Plan prospectively or retroactively. Except for adjustments made pursuant to **Section 11** of this Plan, no such amendment will materially impair the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any Awards outstanding hereunder and not exercised in full on the date of termination.

19. **Choice of Law**. Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Evidence of Award shall be governed by the laws of the State of Delaware, without regard to its conflict of law rules.

20. **Effective Date/Termination.** This Plan became effective as of the Effective Date. No grants will be made on or after the Effective Date under the Predecessor Plans, provided that outstanding awards granted under the Predecessor Plans will continue unaffected following the Effective Date. No grant will be made under this Plan on or after the tenth anniversary of the Effective Date, but all grants made prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan. For clarification purposes, the terms and conditions of this Plan shall not apply to or otherwise impact previously granted and outstanding awards under the Predecessor Plans, as applicable. The Plan was amended and restated effective as of May 31, 2023 in order to increase the number of shares available for issuance under the Plan by 1,990,000 shares.

21. **Miscellaneous Provisions.**

(a) The Company will not be required to issue any fractional Stock pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

(b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with Participating Company Group, nor will it interfere in any way with any right any Participating Company would otherwise have to terminate such Participant's employment or other service at any time.

(c) Except with respect to **Section 21(e)** of this Plan, to the extent that any provision of this Plan would prevent any Option that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option. Such provision, however, will remain in effect for other Options and there will be no further effect on any provision of this Plan.

(d) No Award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or shares thereunder, would be, in the opinion of counsel selected by the Company, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.

(e) Absence on leave approved by a duly constituted Officer of the Company or any of its Subsidiaries will not be considered interruption or termination of service of any Employee for any purposes of this Plan or Awards granted hereunder.

(f) No Participant will have any rights as a Stockholder with respect to any Stock subject to Awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such Stock upon the share records of the Company.

(g) The Committee may condition the grant of any Award or combination of Awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Participating Company Group to the Participant.

(h) Except with respect to Options and Appreciation Rights, the Committee may permit Participants to elect to defer the issuance of Stock under this Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan and which are intended to comply with the requirements of Section 409A. The Committee also may provide that deferred issuances and settlements include the crediting of Dividend Equivalent Rights or interest on the deferral amounts.

(i) If any provision of this Plan is or becomes invalid or unenforceable in any jurisdiction, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it will be stricken and the remainder of this Plan will remain in full force and effect. Notwithstanding anything in this Plan or an Evidence of Award to the contrary, nothing in this Plan or in an Evidence of Award prevents a Participant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity a Participant is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

22. **Share-Based Awards in Substitution for Awards Granted by Another Company.** Notwithstanding anything in this Plan to the contrary:

(a) Awards may be granted under this Plan in substitution for or in conversion of, or in connection with an assumption of, stock options, SARs, restricted stock, restricted stock units or other share or share-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with the Participating Company Group. Any conversion, substitution or assumption will be effective as of the close of the merger or acquisition, and, to the extent applicable, will be conducted in a manner that complies with Section 409A. The Awards so granted may reflect the original terms of the awards being assumed or substituted or converted for and need not comply with other specific terms of this Plan, and may account for Stock substituted for the securities covered by the original awards and the number of shares subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction.

(b) In the event that a company acquired by the any Participating Company or with which any Participating Company merges has shares available under a pre-existing plan previously approved by stockholders and not adopted in contemplation of such acquisition or merger, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) may be used for awards made after such acquisition or merger under this Plan; provided, however, that awards using such available shares may not be made after the date awards or grants could have been made under the terms of the pre-existing plan absent the acquisition or merger, and may only be made to individuals who were not Employees or Directors of the Participating Company Group prior to such acquisition or merger.

(c) Any Stock that is issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under **Sections 22(a)** or **22(b)** of this Plan will not reduce the Stock available for issuance or transfer under this Plan or otherwise count against the limits contained in **Section 3** of this Plan. In addition, no Stock subject to an award that is granted by, or becomes an obligation of, the Company under **Sections 22(a)** or **22(b)** of this Plan, will be added to the aggregate limit contained in **Section 3(a)(i)** of this Plan.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from ________ to ________

Commission File Number 001-34791

Magnachip Semiconductor Corporation
(Exact name of registrant as specified in its charter)

Delaware	**83-0406195**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

c/o Magnachip Semiconductor, Ltd.
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: +82 (2) 6903-3000
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No
Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files. ☒ Yes ☐ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒
If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐
Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $643,221,377.
As of February 10, 2023, the registrant had 43,536,977 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2023 annual meeting of stockholders will be incorporated by reference into Part III of this Annual Report on Form 10-K or included by amendment to this report within 120 days after the end of the fiscal year to which this report relates.

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022
TABLE OF CONTENTS

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PART I

INDUSTRY AND MARKET DATA

We have made statements in this Annual Report on Form 10-K for the year ended December 31, 2022 (this ''Report'') regarding our industry and our position in the industry based on our experience in the industry and our own views of market conditions, but we have not independently verified those statements. We do not have any obligation to announce or otherwise make publicly available updates or revisions to forecasts contained in these documents.

Statements made in this Report, unless the context otherwise requires, include the use of the terms ''us,'' ''we,'' ''our,'' the ''Company'' and ''Magnachip'' to refer to Magnachip Semiconductor Corporation and its consolidated subsidiaries. The term ''Korea'' refers to the Republic of Korea or South Korea. On September 1, 2020, we completed the sale of our Foundry Services Group business and our fabrication facility located in Cheongju, Korea to Key Foundry Co., Ltd. Unless otherwise noted herein, historical operational metrics presented herein do not include those of the Foundry Services Group.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made certain ''forward-looking'' statements in this Report within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), and Section 27A of the Securities Act of 1933, as amended (the ''Securities Act''), 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 the ''Risk Factors,'' ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''Business'' sections and elsewhere in this Report.

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.

''Magnachip'' is a registered trademark of us and our subsidiaries and ''Magnachip Everywhere'' is our registered trademark and service mark. All other product, service and company names mentioned in this Report are the service marks or trademarks of their respective owners.

Item 1. Business

General

We are a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communications, Internet of Things (''IoT'') applications, consumer, computing, industrial and automotive applications. We have a proven record with more than 40 years of operating history, a portfolio of approximately

1,100 registered patents and pending applications and extensive engineering and manufacturing process expertise. Our standard products business includes our Display Solutions and Power Solutions business lines. Our Display Solutions products provide panel display solutions to major suppliers of large and small rigid and flexible panel displays, and a wide range of applications including smartphones, TVs, automotive and IT applications such as monitors, notebook PCs, tablet PCs as well as AR/VRs. Our Power Solutions products include discrete and integrated circuit solutions for power management in communications, consumer, computing, servers, automotive, and industrial applications.

Our wide variety of analog and mixed-signal semiconductor products allow us to address multiple high-growth end markets and rapidly develop and introduce new products 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. Certain of our OLED products are produced using external 12-inch foundries. Through a strategic cooperation with external 12-inch foundries, we strive to outsource wafers at competitive prices and produce quality products.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology and develop products that are in high demand by our customers and end consumers. We sold approximately 400 distinct products in the year ended December 31, 2022 with a substantial portion of our revenues derived from a concentrated number of customers.

Our business is largely driven by innovation in the consumer electronics markets and the growing adoption by consumers of worldwide of electronic devices for use in their daily lives. The consumer electronics market is large and growing rapidly, largely due to consumers increasingly accessing a wide variety of rich media content, such as high definition audio and video, mobile devices, televisions and games on advanced consumer electronic devices. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power semiconductors that increase power efficiency, thereby improving heat dissipation and extending battery life.

For the year ended December 31, 2022, we generated total revenues of $337.7 million, net loss of $8.0 million, operating loss of $5.2 million, Adjusted EBITDA of $19.5 million, Adjusted Operating Income of $4.1 million and Adjusted Net Income of $8.8 million. See ''Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations'' elsewhere in this Report for an explanation of our use of Adjusted EBITDA, Adjusted Operating Income and Adjusted Net Income and a reconciliation to net income (loss) and operating income (loss) prepared in accordance with United States Generally Accepted Accounting Principles (''U.S. GAAP'').

Our History

Our business was named ''MagnaChip Semiconductor'' when it was acquired from SK hynix Inc., formerly known as Hynix Semiconductor, Inc. (''SK hynix''), in October 2004.

On March 10, 2011, we completed our initial public offering. In connection with our initial public offering, we converted from a Delaware limited liability company to a Delaware corporation.

On December 30, 2020, we changed our name from ''MagnaChip Semiconductor Corporation'' to ''Magnachip Semiconductor Corporation.''

Legacy Foundry Services Group Business

On September 1, 2020, we completed the sale of our Foundry Services Group business and our fabrication facility located in Cheongju, Korea (known as ''Fab 4'') to Key Foundry Co., Ltd. This sale was part of a strategic shift in our operational focus to our standard products business. The Foundry Services Group business provided specialty analog and mixed signal foundry services mainly for fabless and Integrated Device Manufacturer semiconductor companies.

Our Products

Our Display Solutions line of products provide flat panel display solutions to major suppliers of large and small flat panel displays. These products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in mobile communications, automotives, entertainment devices, notebook PCs, monitors and liquid crystal display (LCD), organic light emitting diodes (OLED) and Micro light emitting diode (Micro LED) televisions. Our Display Solutions products support the industry's most advanced display technologies, such as OLEDs, and low temperature polysilicon thin film transistor (LTPS TFT), as well as high-volume display technologies such as amorphous silicon thin film transistors (a-Si TFTs). Since 2007, we have designed and manufactured OLED display driver integrated circuit (IC) products. Our current portfolio of OLED solutions address a wide range of resolutions ranging from HD (High Definition) to WQHD (Wide Quadruple High Definition) for wide range of applications including smartphones, TVs, automotive and IT applications such as monitors, notebook PCs, tablet PCs as well as AR/VRs. Our Display Solutions products represented 21.2%, 43.3% and 59.0% of our total revenues for the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

We expanded our business and market opportunity by establishing our Power Solutions product line in late 2007. We have introduced a number of power management semiconductor products, including discrete and integrated circuit solutions for power management in high-volume consumer applications. These products include metal oxide semiconductor field effect transistors (MOSFETs), insulated-gate bipolar transistors (IGBTs), AC-DC/DC-DC converters, LED drivers, regulators and power management integrated circuits (PMICs) for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop PCs, notebooks, tablet PCs, other consumer electronics, automotive, and industrial applications such as power suppliers, e-bikes, photovoltaic inverters, LED lighting and motor drives. Our Power Solutions products represented 68.3%, 48.0% and 32.8% of our total revenues for the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

Market Opportunity

The semiconductor market is large and is expanding its applications. Growth in this market is being driven by consumers seeking to enjoy a wide variety of rich media content, such as high definition audio and video, mobile devices, televisions and games. Recently, industrial applications such as power suppliers, e-bikes, photovoltaic inverters, LED lighting, motor drives, and automotive applications such as on board chargers, electric motor drives, electric pumps, DC-DC converters and powertrain inverters in hybrid & battery electric vehicle (HEV & BEV) are also driving growth in the semiconductor market. Electronics device manufacturers recognize that the consumer entertainment experience plays a critical role in differentiating their products. To address and further stimulate consumer demand, electronics manufacturers have been driving rapid advances in the technology, functionality, form factor, cost, quality, reliability and power consumption of their products. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power semiconductors that increase power efficiency, thereby improving heat dissipation and extending battery life. These advanced generations of consumer devices are growing faster than the overall electronics device market.

The user experience delivered by a consumer electronic device is substantially driven by the quality of the display, audio and video processing capabilities and power efficiency of the device. Analog and mixed-signal semiconductors enable and enhance these capabilities. Examples of these analog and mixed-signal semiconductors include display drivers, timing controllers, audio encoding and decoding devices, or codecs, and interface circuits, as well as power semiconductors such as voltage regulators, converters and switches.

Requirements of Leading Electronic Devices Manufacturers

We believe our target customers view the following characteristics and capabilities as key differentiating factors among available analog and mixed-signal semiconductor suppliers:

- ***Broad Offering of Differentiated Products with Advanced System-Level Features and Functions.*** Leading electronic devices manufacturers seek to differentiate their products by incorporating innovative semiconductor products that enable unique system-level functionality and enhance performance. These consumer electronics manufacturers seek to closely collaborate with semiconductor solutions providers that continuously develop new and advanced products, and technologies that enable state of the art features and functions, such as bright and thin displays, small form factor and energy efficiency.

- ***Fast Time-to-Market with New Products.*** As a result of rapid technological advancements and short product lifecycles, our target customers typically prefer suppliers who have a compelling pipeline of new products and capacity to leverage a substantial intellectual property and technology base to accelerate product design and manufacturing when needed.
- ***Ability to Deliver Cost Competitive Solutions.*** Electronics manufacturers are under constant pressure to deliver cost-competitive solutions. To accomplish this objective, they need strategic semiconductor suppliers that have the ability to provide system-level solutions, highly integrated products and a broad product offering at a range of price points and have the design and manufacturing infrastructure and logistical support to deliver cost competitive products.
- ***Focus on Delivering Highly Energy-Efficient Products.*** Consumers increasingly seek longer run-time, environmentally friendly and energy-efficient consumer electronic products. In addition, there is an increasing regulatory focus on reducing energy consumption of consumer electronic products. As a result of a global focus on more environmentally friendly products, our customers are seeking analog and mixed-signal semiconductor suppliers that have the technological expertise to deliver solutions that satisfy these ever increasing regulatory and consumer power efficiency demands.

Our Competitive Strengths

Designing and manufacturing analog and mixed-signal semiconductors capable of meeting the evolving functionality requirements for electronics devices are challenging. In order to grow and succeed in the industry, we believe semiconductor suppliers must have a broad, advanced intellectual property portfolio, product design expertise, comprehensive product offerings and specialized manufacturing process technologies and capabilities. Our competitive strengths enable us to offer our customers solutions to solve their key challenges. We believe our strengths include:

- ***Advanced Analog and Mixed-Signal Semiconductor Technology.*** Our long operating history, large patent portfolio, extensive engineering and manufacturing process expertise and analog and mixed-signal intellectual property allow us to leverage our technology and develop new products across multiple end markets. Our product development efforts are supported by a team of over 220 engineers as of the date of this Annual Report. Our platform allows us to develop and introduce new products quickly and integrate numerous functions into a single product. For example, we were one of the first companies to introduce a commercial OLED display driver for mobile phones.
- ***Established Relationships and Close Collaboration with Leading Global Electronics Companies.*** We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. Our close customer relationships have been built based on many years of close collaborative product development, which provides us with deep system-level knowledge and key insights into our customers' needs. As a result, we are able to continuously strengthen our technology in areas of strategic interest for our customers and focus on those products that our customers and end consumers demand the most.
- ***Longstanding Presence in Asia and Proximity to Global Electronics Devices Supply Chain.*** Our presence in Asia facilitates close contact with our customers and fast response to their needs, and enhances our visibility into new product opportunities, markets and technology trends. Our design center and substantial manufacturing operations in Korea place us close to many of our largest customers and to the core of the global electronics devices supply chain. We have active applications, engineering, product design and customer support resources, as well as senior management and marketing resources, in geographic locations close to our customers. This allows us to strengthen our relationship with customers through better service, faster turnaround time and improved product design collaboration. We believe this also helps our customers to deliver products faster than their competitors and to solve problems more efficiently than would be possible with other suppliers.

- ***Broad Portfolio of Product Offerings Targeting Large, High-Growth Markets.*** We continue to develop a wide variety of analog and mixed-signal semiconductor solutions for multiple high-growth electronics device end markets. We believe our expanding product offerings allow us to provide additional products to new and existing customers and to cross-sell our products to our established customers. For example, we have leveraged our technology expertise and customer relationships to develop and grow power management solutions to customers. Our power management solutions enable our customers to increase system stability and improve heat dissipation and energy use, resulting in improved system efficiency and system cost savings for our customers, as well as environmental benefits. We have been able to sell these new products to our existing customers as well as expand our customer base.
- ***Highly Efficient Manufacturing Capabilities.*** Our manufacturing strategy is focused on optimizing our asset utilization across our display driver and power management products, which enables us to maintain the price competitiveness of our products through our low-cost operating structure and improve our operational efficiency. We believe the location of our primary manufacturing and research and development facilities in Asia and the relatively low need for ongoing capital expenditures provide us with a number of cost advantages. Since 2007, we had designed and manufactured OLED display driver ICs in our internal manufacturing facilities. As we expanded our design capabilities to products that require lower geometries unavailable at our existing manufacturing facilities, we began outsourcing manufacturing of certain OLED display driver ICs to external 12-inch foundries starting in the second half of 2015 and we have started outsourcing 8-inch wafer for OLED TV ICs after the sale of our fabrication facility located in Cheongju, Korea in 2020. This additional source of manufacturing is an increasingly important part of our supply chain management. By outsourcing manufacturing of OLED products to external foundries, we are able to adapt dynamically to changing customer requirements and address growing markets without substantial capital investments by us.

Our Strategy

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

- ***Increase Business with Existing Customers.*** We have a global customer base consisting of leading consumer electronics OEMs that sell into multiple end markets. We intend to continue to strengthen our relationships with our customers by collaborating on critical design and product development in order to improve our design-win rates. We seek to increase our customer penetration by more closely aligning our product roadmap with those of our key customers and take advantage of our broad product portfolio, our deep knowledge of customer needs and existing relationships to sell more existing and new products.
- ***Broaden Our Customer Base.*** We expect to continue to expand our global customer base, particularly in China, Hong Kong, and Taiwan, which we collectively refer to as Greater China, and other high-growth geographies, to penetrate new accounts. In addition, we intend to introduce new products and variations of existing products to address a broader customer base. In order to broaden our market penetration, we are complementing our direct customer relationships and sales with an improved base of distributors, with a particular focus on the growth of our power management business.
- ***Drive Execution Excellence.*** We intend to improve our execution through a number of management initiatives, new processes for product development, customer service and personnel development. We expect these ongoing initiatives will contribute to improvement of our new product development and customer service as well as enhance our commitment to a culture of quick action and execution by our workforce. In addition, we have focused on improving our manufacturing efficiency during the past several years.
- ***Return on Capital Investments and Cash Flow Generation.*** We manufacture most of our Display Solutions products at external foundries. Through a strategic cooperation with external foundries, we are able to adapt dynamically to changing customer requirements and address growing markets without substantial capital investments. We manufacture our Power Solutions products by utilizing our in-house manufacturing facility and external foundry to address a broad portfolio of power products while we seek to maximize return on capital investments and our cash flow generation. We intend to keep our

capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require substantial investment in frequent upgrades to the latest manufacturing equipment. However, from time to time, we make special investments to enhance our manufacturing capabilities by investing in new equipment and expanding our facility, which we expect will have a positive impact on our future new product development and revenue, particularly during the period of global shortage of capacity.

Our Technology

We continuously strengthen our advanced analog and mixed-signal semiconductor technology platform by developing innovative technologies and integrated circuit building blocks that enhance the functionality of electronics devices through brighter, thinner displays, enhanced image quality, smaller form factor and longer battery life. Our goal is to leverage our experience and development initiatives across multiple end markets and utilize our understanding of system-level issues our customers face to introduce new technologies that enable our customers to develop more advanced, higher performance products.

Our display technology portfolio includes building blocks for display drivers and timing controllers, processor and interface technologies, as well as sophisticated production techniques, such as chip-on-glass (COG), chip-on-film (COF) and chip-on-plastic (COP) for rigid and flexible OLED displays. Our advanced display drivers incorporate Oxide, Low-Temperature Polycrystalline Oxide (LTPO) OLED panel technologies that enable the highest resolution displays. Furthermore, we are developing a broad intellectual property portfolio to improve the quality and the power efficiency of displays, including the development of our high speed interface, high quality image enhancement display data compression and optical compensation technology for OLED displays.

Expertise in ultra-high voltage (UHV), high voltage and deep trench BCDMOS process technologies, low power analog and mixed-signal design capabilities and packaging know-how are key requirements in the power management market. We are currently leveraging our capabilities in these areas with products such as AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits (PMICs), power MOSFETs and IGBTs. We believe our system-level understanding of applications such as LCD televisions, smartphones, computing, and servers, automotive, and industrial applications will allow us to more quickly develop and customize power management solutions for our customers in these markets.

Products by Business Line

Our broad portfolio of products addresses multiple high-growth, consumer-focused end markets. A key component of our product strategy is to supply multiple related product offerings to each of the end markets that we serve.

Display Solutions

Display Driver Characteristics. Display drivers deliver defined analog voltages and currents that activate pixels to exhibit images on displays. The following key characteristics determine display driver performance and end-market application:

- ***Resolution and Number of Channels.*** Resolution determines the level of detail displayed within an image and is defined by the number of pixels per line multiplied by the number of lines on a display. For large displays, higher resolution typically requires more display drivers for each panel. Display drivers that have a greater number of channels, however, generally require fewer display drivers for each panel and command a higher selling price per unit. Mobile displays, conversely, are typically single chip solutions designed to deliver a specific resolution. We cover resolutions ranging from VGA (640 x 480) to UHD (3840 x 2160).
- ***Color Depth.*** Color depth is the number of colors that can be displayed on a panel. For example, for TFT-LCD panels, 262 thousand colors are supported by 6-bit source drivers; 16 million colors are supported by 8-bit source drivers; and 1 billion colors are supported by 10-bit source drivers.

- ***Operational Voltage.*** Display drivers are characterized by input and output voltages. Source drivers typically operate at input voltages from 1.62 to 3.6 volts and output voltages between 9 and 18 volts. Gate drivers typically operate at input voltages from 1.62 to 3.6 volts and output voltages from 30 to 45 volts. Lower input voltage results in lower power consumption and electromagnetic interference (EMI).
- ***Gamma Curve.*** The relationship between the light passing through a pixel and the voltage applied to the pixel by the source driver is referred to as the gamma curve. The gamma curve of the source driver can correct some imperfections in picture quality in a process generally known as gamma correction. Some advanced display drivers feature up to three independent gamma curves to facilitate this correction.
- ***Driver Interface.*** Driver interface refers to the connection between the timing controller and the display drivers. Display drivers increasingly require higher bandwidth interface technology to address the larger data transfer rate necessary for higher definition images. The principal types of interface technologies are embedded clock point to point interface (EPI), mini-low voltage differential signaling (m-LVDS), unified standard interface (USI) and mobile industry processor interface (MIPI).
- ***Package Type.*** The assembly of display drivers typically uses COF, COG and COP package types.
- ***Large Display Solutions.*** We provide display solutions for a wide range of flat panel display sizes used in LCD TVs, OLED TVs, Micro LED TVs as well as IT applications such as monitors, notebook PCs, tablet PCs, automotives and public information displays.

Our large display solutions include source and gate drivers and timing controllers with a variety of interfaces, voltages, frequencies and packages to meet customers' needs. These products include advanced technologies such as high channel count, with products in mass production to provide up to 1,542 channels. Our large display solutions are designed to allow customers to cost-effectively meet the increasing demand for high resolution displays. We have focused extensively on reducing the die size of our large display drivers and other solutions products to reduce costs without having to migrate to smaller geometries. For example, we have implemented several solutions to reduce die size in large display drivers, such as optimizing design schemes and design rules and applying specific technologies that we have developed internally. We are currently focusing on growing display segments such as OLED TVs and automotive. We have recently introduced a number of new display driver ICs for OLED TV and automotive.

The table below sets forth the features of our products, both in mass production and in customer qualification, which is the final stage of product development, for large-sized displays:

Product	Key Features	Applications
TFT-LCD Source Drivers	• 480 to 1,542 output channels • 6-bit (262 thousand colors), 8-bit (16 million colors), 10-bit (1 billion colors) • Output voltage ranging from 9V to 18V • Low power consumption and low EMI • COF package types • EPI, m-LVDS, USI interface technologies	• LCD/LED TVs • Notebooks • LCD/LED monitors • Automotive
TFT-LCD Gate Drivers	• 272 to 960 output channels • Output voltage ranging from 30V to 45V • COF and COG package types	• Tablet PCs • LCD/LED TVs • Notebooks • Automotive
Timing Controllers	• Wide range of resolutions • EPI, m-LVDS, MIPI, USI-T interface technologies • Input voltage ranging from 1.6V to 3.6V	• Tablet PCs • Public information display
OLED Source Drivers	• 960 output channels • 10 bit (1 billion colors) • Output voltage: 18V • COF package type • EPI interface technology	• OLED TVs
Micro LED Drivers*	• 552 output channels (3 Mux) • 10 bit (1 billion colors) • Output voltage: max 18V • COF package type • USI interface technology	• Micro LED TVs

* In customer qualification stage

Mobile Display Solutions. Our mobile display solutions incorporate the industry's most advanced display technologies, such as OLED and LTPS, as well as high-volume technologies such as a-Si TFT. Our mobile display products offer specialized capabilities, including high speed serial interfaces, such as mobile display digital interface (MDDI), MIPI, reduced swing differential signaling interface (RSDS) and logic-based OTP memory. We focus extensively on reducing the die size of our mobile display drivers and other solutions products to reduce costs. For example, we have implemented several solutions to reduce die size in mobile display drivers, such as optimizing design schemes and design rules and applying specific technologies that we have developed internally. Further, we are building a distinctive intellectual property portfolio that allows us to provide features that reduce power consumption, such as CABC and ACL. This intellectual property portfolio will also support our power management product development initiatives, as we leverage our system level understanding of power efficiency. Our OLED driver ICs can support various configurations such as high resolution from FHD+(2,880x1,284) to QHD+(3,360x1,440), wide aspect ratio from 16:9 to 21:9 and rigid and flexible OLED displays. In the transition to, and adoption of, 5G, fast responses and high frame rates such as 90Hz, 120Hz and 144Hz are becoming essential product offerings. To meet this new and evolving demand, we have developed and mass produced our OLED display driver IC, which supports 90Hz/120Hz/144Hz high frame rates.

The following table summarizes the features of our products, both in mass production and in customer qualification, which is the final stage of product development, for mobile displays:

Product	Key Features	Applications
OLED	• Resolutions of HD720, WXGA, FHD, FHD+, QHD and QHD+ • Aspect ratio from 16:9 to 21:9 • Color depth of 1 billion • MIPI, eRVDS interface • Logic-based OTP • Image enhancement IP • Display data compression IP	• Smartphones • Game consoles • Digital still cameras • Tablet PCs • Virtual reality headsets • Automotive
LTPS	• Resolutions of VGA, WSVGA, WVGA and DVGA • Color depth of 16 million • MDDI, MIPI interface • Logic-based OTP • Separated gamma control	• Smartphones • Digital still cameras
a-Si TFT	• Resolutions of WQVGA and HVGA • Color depth of 16 million • RSDS, MDDI, MIPI interface • CABC • Separated gamma control	• Mobile phones • Digital still cameras • Automotive

Power Solutions

We develop, manufacture and market power management solutions for a wide range of end-market customers. The products include MOSFETs, IGBTs, AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits (PMICs) for a range of devices, including LCD, LED, and UHD televisions, digital signage, smartphones, mobile phones, wearable devices, desktop PCs, notebooks, tablet PCs, other consumer electronics, consumer appliances, automotive, and industrial applications such as power suppliers, e-bikes, photovoltaic inverters, LED lighting and motor drives.

- ***MOSFETs.*** Our MOSFETs include low-voltage from 12V to 30V, medium-voltage from 40V to 200V, high-voltage planar MOSFETs, 200V through 650V, and super junction MOSFETs, 500V through 900V.

  MOSFETs are used in applications to switch, shape or transfer electricity under varying power requirements. The key application segments are smartphones, mobile phones, wearable devices, LCD, LED, and UHD televisions, desktop PCs, notebooks, tablet PCs, servers, lighting and power supplies for consumer electronics automotive (electric vehicles) and industrial equipment. MOSFETs allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. For example, computing solutions focus on delivering efficient controllers and MOSFETs for power management in VCORE, DDR and chipsets for audio, video and graphics processing systems.

- ***IGBTs.*** Our IGBTs include 650V to 1200V field stop trench IGBTs. IGBTs are used in automotive and high power industrial applications, such as UPSs, power supplies, motor drives, solar inverters, welding machines and consumer appliances.

- ***AC-DC/DC-DC Converters.*** We offer AC-DC/DC-DC converters targeting mobile applications and high power applications like LCD, LED, and UHD televisions, notebooks, smartphones, mobile phones, set-top boxes and display modules. We expect our AC-DC/DC-DC converters will meet customer’s green power requirements by featuring wide input voltage ranges, high efficiency and small size.

- ***LED Drivers.*** LED backlighting drivers serve the fast-growing LCD and LED panel backlighting market for LCD and LED televisions, LCD monitors, digital signage, notebooks, smartphones and tablet PCs. Our products are designed to provide high efficiency and wide input voltage range, as well as pulse width modulation (PWM) dimming for accurate white LED dimming control. LED lighting drivers have a wide input voltage range applicable to incandescent bulb and fluorescent lamp replacement.

- ***Regulators.*** We also provide analog regulators for mobile, computing and consumer applications. Our products are designed for high efficiency and low power consumption in mobile applications.
- ***SSD PMICs.*** We also provide solid state drive power management integrated circuits (SSD PMICs) for the computing segment. Our product is designed for high frequency switching, high efficiency and pulse frequency modulation (PFM) function to reduce power consumption in low load converters.
- ***Logic PMICs.*** We also provide logic power management integrated circuits (PMICs) for organic light-emitting diode (OLED) display panel. Our PMICs provide optimized power to source driver, gate driver and timing controller (T-CON) of OLED display panel with multi-channel power block (boost converter, buck converter, Op-Amps and positive/negative LDOs.)

Our power management solutions enable customers to increase system stability and improve heat dissipation and energy use, resulting in cost savings for our customers and consumers, as well as environmental benefits. Our in-house process technology capabilities and eight-inch wafer production lines increase efficiency and contribute to the competitiveness of our products.

The following table summarizes the features of our products, both in mass production and in customer qualification, which is the final stage of product development:

Product	Key Features	Applications
Low Voltage MOSFET	• Voltage options of 12V-30V • Advanced Trench MOSFET Process • High cell density • Advanced packages to enable reduction of PCB mounting area	• Smartphones, mobile phones, and wearable devices • Tablet PCs, Notebooks • Desktop PCs, Servers • LCD/LED TVs • Industrial applications • Automotive*
Medium Voltage MOSFET	• Voltage options of 40V-200V • Advanced Trench MOSFET Process • High cell density • High system efficiency • Advanced packages to enable reduction of PCB mounting area	• e-Bikes and Motor controls • Battery Management Systems • Power tools and Servers • Energy Storage System • Other computing applications (Tablet PCs, Notebooks, Desktops) • Consumer applications (TV) • Industrial applications • Automotive
High Voltage MOSFET	• Voltage options of 200V-650V • R2FET (rapid recovery) option to shorten reverse diode recovery time • Zener diode option for MOSFET protection for abnormal input • Advanced Planar MOSFET Process • Advanced packages to enable reduction of PCB mounting area	• Adaptors for tablet PC/mobile phone/smartphone • Power supplies • Lighting (ballast, HID, LED) • Industrial applications • LCD/LEDTVs
Super Junction MOSFET	• Voltage options of 500V-900V • Low RDS(ON) • Epi stack process • Zener diode option for MOSFET protection for abnormal input • Advanced SJ MOSFET process • Advanced packages to enable reduction of PCB mounting area	• LCD/LED/UHD TVs • Lightings applications (ballast, HID, LED) • Smartphones • Power supplies • Servers and Telecom powers • Industrial applications • EV charging station*

Product	Key Features	Applications
	• Low power loss by high speed switching	On board charger*
IGBTs	• Voltage options of 650V/1200V • Field Stop Trench IGBT • Current options from 15A to 100A	• Automotive • Solar inverters • Industrial applications • Consumer appliances
AC-DC/DC-DC Converter	• Wide control range for high power application (>150W) • Advanced BCDMOS process • High Precision Voltage Reference • Very low startup current consumption • Fast load and line regulation • Accurate output voltage • OCP, SCP and thermal protections	• LCD/LED/UHD TVs • Power supplies • Smartphones • Mobile phones • Notebooks • Set-top boxes
LED Backlighting Drivers	• High efficiency, wide input voltage range • Advanced BCDMOS process • OCP, SCP, OVP and UVLO protections • Accurate LED current control and multi-channel matching • Programmable current limit, boost up frequency	• Tablet PCs • Notebooks • Smartphones • LED/UHD TVs • LED monitors
Digital Controlled LED Driver	• Multi-channel constant current control • 12Bit gray scale with SPI	• Digital signage
LED Lighting Drivers	• High efficiency, wide input voltage range • Simple solutions with external components fully integrated • Advanced high voltage BCDMOS process • Accurate LED current control and high power factor and low THB	• AC and DC LED lighting
Regulators	• Single and multi-regulators • Low Noise Output regulators • Wide range of input voltage and various output current • CMOS and BCDMOS processes • LDO (Low Drop Out — Linear Regulator)	• Smartphones and Mobile phones • Notebooks • Computing applications
SSD PMIC	• High current buck • PFM function • High frequency switching • High efficiency • High integration technology • Small QFN package	• Computing applications
Logic PMIC	• High current boost • Integrated pass transistor • LDO • 3channel high current buck • Negative Charge Pump • 2channel buffer Op-Amp. • Tiny Wafer Level CSP	• Notebooks • Tablet PCs

* In customer qualification stage

Sales and Marketing

We focus our sales and marketing strategy on continuing to grow and leverage our existing relationships with leading consumer electronics OEMs, while expanding into industrial and automotive end markets. We believe our close collaboration with customers allows us to align our product and technology development with our customers' existing and future needs. Because our customers often service multiple end markets, our product sales teams are organized by customers within the major geographies. We believe this facilitates the sale of products that address multiple end-market applications to each of our customers.

We sell our products through a direct sales force and a network of authorized agents and distributors. We have strategically located our sales and technical support offices near our customers. Our direct sales force consists primarily of representatives co-located with our design center in Korea, as well as our local sales and support offices and sales liaisons in Japan, Greater China, Taiwan and Europe. We have a network of agents and distributors in the U.S., Europe and the Asia Pacific region. For the years ended December 31, 2022, 2021 and 2020, we derived 48%, 62% and 75% of net sales from our standard products business through our direct sales force, respectively, and 52%, 38% and 25% of net sales from our standard products business through our network of authorized agents and distributors, respectively.

Customers

We sell our Display Solutions and Power Solutions products to consumer, computing, communication, automotive and industrial electronics OEMs, original design manufacturers and electronics manufacturing services companies, as well as subsystem designers. For the years ended December 31, 2022, 2021 and 2020, our ten largest customers accounted for 69.4%, 79.8% and 87.6% of net sales from our standard products business, respectively. Our arrangements with and reliance on key customers, particularly customers for our display products, may make it less practicable to pursue certain opportunities with other potential new and existing customers. For the year ended December 31, 2022, sales to Samsung Display represented 19.0% of net sales from our standard products business and 80.2% of net sales from our Display Solutions business line, and SAMT represented 13.8% of net sales from our standard products business and 18.1% of net sales from our Power Solutions business line. For the year ended December 31, 2021, sales to Samsung Display represented 42.5% of net sales from our standard products business and 89.7% of net sales from our Display Solutions business line, and SAMT represented 10.4% of net sales from our standard products business and 19.8% of net sales from our Power Solutions business line. For the year ended December 31, 2020, sales to Samsung Display represented 56.2% of net sales from our standard products business and 87.5% of net sales from our Display Solutions business line. For the year ended December 31, 2022, we recorded revenues of $10.4 million from customers in the U.S. and $291.5 million from all foreign countries, of which 42.2% was from Greater China and 36.1% was from Korea. For the year ended December 31, 2021, we recorded revenues of $6.1 million from customers in the U.S. and $427.0 million from all foreign countries, of which 47.2% was from Greater China, 26.6% from Korea and 18.9% from Vietnam. For the year ended December 31, 2020, we recorded revenues of $5.1 million from customers in the U.S. and $460.4 million from all foreign countries, of which 61.9% was from Greater China, 23.1% from Korea and 10.8% from Vietnam. All information pertaining to the geographic source of revenues is with respect to the geographic location to which our products are billed.

Intellectual Property

As of December 31, 2022, our portfolio of intellectual property assets included approximately 961 registered patents and 144 pending patent applications. Approximately 433 and 52 of our patents and pending applications, respectively, are novel in that they are not a foreign counterpart of an existing patent or patent application. Because we file patents in multiple jurisdictions, we additionally have approximately 528 registered patents and 92 pending applications that relate to identical technical claims in our base patent portfolio. Our patents expire at various times approximately over the next 19 years. While these patents are in the aggregate important to our competitive position, we do not believe that any single registered or pending patent is material to us.

See "Item 1A. Risk Factors—Risks Related to Our Business—Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our intellectual property, proprietary technology and know-how, as well as our ability to operate without infringing the proprietary rights of others."

National Core Technology

Under the Act on Prevention of Leakage and Protection of Industrial Technology of Korea (the ‘‘ITA’’), any export (including various means of outflow such as sale or transfer outside Korea) of technology designated as ‘‘national core technology’’ (‘‘National Core Technology’’ or ‘‘NCT’’) by the Korean Ministry of Trade, Industry and Energy (the ‘‘MOTIE’’) requires the filing of a prior-report with, and the acceptance of the same by, the MOTIE. Any such export of NCT without the acceptance of the prior report with the MOTIE may be subject to corrective orders by the relevant authorities, and failure to comply with such corrective orders may potentially result in criminal liabilities.

The Notification Regarding Designation of National Core Technologies issued by the MOTIE was amended on July 14, 2021 to add certain technologies to the list of National Core Technology designated by the MOTIE, and the amended list includes the design technology for OLED Display Driver IC for driving display panels (‘‘OLED DDI’’). In the ordinary course of business, our Korean subsidiary may provide certain information relating to its products, including OLED DDI, to customers, suppliers or vendors, and such disclosure of information may be subject to the NCT-related regulations under the ITA, and therefore the MOTIE’s acceptance of prior-reports. Since the amendment of the foregoing NCT list in July 2021, we have filed prior-reports with the MOTIE for the export of our OLED DDI product-related information to certain overseas vendors that manufacture our products, and all such reports have thus far been accepted by the MOTIE.

Competition

We operate in highly competitive markets characterized by rapid technological change and continually advancing customer requirements. Although no one company competes with us in all of our product lines, we face significant competition in each of our market segments. Our competitors include other independent and captive manufacturers and designers of analog and mixed-signal integrated circuits, including display driver and power management semiconductor devices.

We compete based on design experience, manufacturing capabilities, the ability to satisfy customer needs from the design phase through the shipping of a completed product, length of design cycle and quality of technical support and sales personnel. Our ability to compete successfully will depend on internal and external variables, both within and outside of our control. These variables include the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields, capacity availability, customer service, pricing, industry trends and general economic trends.

Human Capital

Our worldwide workforce consisted of 897 employees (full- and part-time) as of December 31, 2022, of which 202 were involved in sales, marketing, general and administrative, 222 in research and development (including 87 with advanced degrees), 44 in quality, reliability and assurance, and 429 in manufacturing (comprised of 46 in engineering and 383 in operations, maintenance and others). Our employees leverage their extensive expertise in engineering, design and process to accelerate the advancement of technology and be leaders in our industry. We pride our company on being a great workplace where employees from diverse backgrounds can reach their full potential.

Labor Unions

As disclosed in previous reports, we have a labor union at our Korean subsidiary (the ‘‘First Union’’). On September 16, 2021, the formation of a second labor union at our Korean subsidiary (the ‘‘Second Union’’) was approved by local authorities (the First Union and the Second Union are collectively referred to as the ‘‘Magnachip Semiconductor Labor Unions’’). Both the First Union and the Second Union are members of a supervisory association named ‘‘Federation of Korean Trade Unions.’’ The First Union represents member employees who are factory workers and the Second Union represents member employees who are office workers, in both cases at our Korean subsidiary.

As of December 31, 2022, of the 866 employees at our Korean subsidiary, 387 were represented by the First Union, and 98 employees were represented by the Second Union. Approximately 56% of our employees at our Korean subsidiary were represented by the Magnachip Semiconductor Labor Unions.

See "Item 1A. Risk Factors—Risks Related to Our Business—If we encounter future labor problems, we may fail to deliver our products and services in a timely manner, which would adversely affect our revenues and profitability."

Values and Culture

Our core values represent a commitment to building an environment of trust with our employees, customers, investors and the communities in which we operate. Through our values and culture, we strive to shape a better future not only for ourselves and our customers, but for humanity as a whole. At Magnachip, we strive to foster effective collaboration by respecting different perspectives, giving and receiving constructive feedback, and supporting one another.

Inclusion and Diversity

We support all employees, regardless of gender, gender identity or expression, age, veteran status, race, ethnicity, national origin, religion or disability. We place great importance on inclusion and diversity within the workplace, and believe that an inclusive and diverse culture creates a happier, more relaxed work environment.

Labor and Ethics

Magnachip strives to provide and maintain a working environment where management and employees are happy and treated with dignity and respect. Magnachip adheres to human rights and labor standards of international labor organizations, such as the United Nations and the International Labor Organization. Magnachip prohibits all forms of discrimination based on gender, race, nationality, religion and age to ensure all employees work in a safe and fair environment.

Empowering Great Talent

We offer a variety of offline training programs, including courses in the areas of design, engineering and technology, as well as courses at different job levels and leadership education. We also offer a number of online training programs, including in the areas of management/leadership and business skills such as presentation, negotiation, reporting, Information Technology and foreign language, which allow employees to improve their capabilities without time and space constraints. Every year, a majority of our employees are required to complete certain educational programs in the areas of information security, industrial safety and health, and sexual harassment prevention.

We believe the foundation of Magnachip is our research and development ("R&D") talent. To ensure R&D technical professionals continue to advance their skills and knowledge, we have technology committees that attend regular seminars and conduct periodic research. We have a reward program for exemplary research.

We also offer a Vision Seminar, which is led by our CEO and is designed to share our company's vision, strategy and the management's key messages to employees. Additionally, the CEO and management regularly communicate with employees through CEO letters and town hall meetings.

Compensation and Benefits

We strive to reward employees with competitive compensation based on contribution and performance. We periodically evaluate market practices for compensation and benefits, including with respect to job function, role and responsibility, job level and region, and regularly review whether our compensation levels and distribution methods are fair and equitable. Additionally, we have long- and mid-term retention programs to attract and retain high-performing key talent.

We offer various employee benefits under the company philosophy that ensuring employees enjoy a happier life with their families is as critical as promoting their own health and well-being. All employees and their family members have access to annual medical checkup programs. Employees also have access to other benefits such as personal pensions, housing assistance, medical reimbursement plans and educational assistance programs.

Safety and Wellness

During the ongoing COVID-19 pandemic, our priority has been ensuring the health and safety of our employees and their families. We built a companywide control tower to provide appropriate response guidance as the pandemic has evolved, and have secured internal/external capabilities to respond to emergencies systematically. In response to the ongoing COVID-19 pandemic, we quickly instituted infrastructure to support remote working, so that our employees could work from home in a safe and stable environment. In addition, we have installed safety facilities within our business sites.

Environmental

We are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and waste, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, change frequently and have tended to become more stringent over time. Since 2015, our Korean subsidiary has been subject to a new set of greenhouse gas emissions regulation, the Korean Emissions Trading Scheme, or K-ETS, under the Act on Allocation and Trading of Greenhouse Gas Emission Allowances. Under K-ETS, our Korean subsidiary was allocated a certain amount of emissions allowance in accordance with the National Allocation Plan prepared by the Korean government and is required to meet its allocated target by either reducing the emission or purchasing the allowances from other participants in the emission trading market.

Another example is the newly reinforced regulations on chemicals under Chemicals Control Act and K-REACH, which came into effect on January 1, 2015. Under these laws, our Korean subsidiary is required to comply with various requirements to report, evaluate, manage and ensure the safe usage of the chemicals used in its facilities. There can be no assurance that we have been or will be in compliance with all of these laws and regulations, or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws and the failure to comply with new or existing laws or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

Raw Materials

We use processes that require specialized raw materials that are generally available from a limited number of suppliers. We continue to attempt to qualify additional suppliers for our raw materials. The Securities and Exchange Commission (the ‘‘SEC’’), as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, has adopted disclosure regulations for public companies that manufacture products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries. These ‘‘conflict minerals’’ are commonly found in metals used in the manufacture of semiconductors. The implementation of these requirements could adversely affect the sourcing, availability and pricing of metals used in the manufacture of our products. See ‘‘Item 1A. Risk Factors—Risks Related to Our Business—Compliance with regulations regarding the use of ‘‘conflict minerals’’ could limit the supply and increase the cost of certain raw materials used in manufacturing our products.’’

Available Information

Our principal executive office is located at: c/o Magnachip Semiconductor, Ltd., 15F, 76, Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, 28581, Republic of Korea, and our email address is investors@magnachip.com. Our website address is www.magnachip.com. Our annual, quarterly and current reports on Forms 10-K, 10-Q or 8-K, respectively, and all amendments thereto filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, can be accessed, free of charge, at our website as soon as practicable after such reports are filed with the SEC. In addition, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Clawback Policy, Audit Committee Charter, Compensation Committee Charter, Nominating and Governance Committee Charter and Risk Committee Charter are available on our website. Information contained on our website does not constitute, and shall not be deemed to constitute, part of this Report and shall not be deemed to be incorporated by reference into this Report. In addition, the SEC maintains an internet site, www.sec.gov, from which you can access our annual, quarterly and current reports on Form 10-K, 10-Q and 8-K, respectively, and all amendments to these materials after such reports and amendments are filed with the SEC. You may also request a copy of these filings, at no cost, by writing or telephoning us at the following address or phone number: c/o Magnachip Semiconductor, Ltd., 15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, 28581, Republic of Korea; Attention: Investor Relations; email address: investors@magnachip.com.

Information About Our Executive Officers

The following table sets forth certain information regarding our current executive officers:

Name	Age	Position
Young-Joon (YJ) Kim	58	Director and Chief Executive Officer
Shin Young Park	42	Chief Financial Officer
Theodore Kim	53	Chief Compliance Officer, General Counsel and Secretary
Woung Moo Lee	60	General Manager of Worldwide Sales
Chan Ho Park	59	General Manager of Power Solutions

Young-Joon (YJ) Kim, Board of Directors, Member of the Risk Committee and Chief Executive Officer. Mr. YJ Kim became our Chief Executive Officer in May 2015 and has also served as a director on our Board since that time. In February 2020, Mr. Kim assumed the additional role of General Manager of the Display business to capitalize on attractive growth opportunities in OLED display and other relevant emerging markets. He also served as the acting General Manager of Foundry Services Group from January 2019 until the completion of the sale of the Foundry Services Group and the factory in Cheongju (“Fab 4”) on September 1, 2020. Mr. Kim joined our company in May 2013 and served as our Executive Vice President and General Manager, Display Solutions Division. He was promoted to Interim Chief Executive Officer in May 2014. Prior to joining our company, Mr. Kim held a variety of senior management roles at several global semiconductor firms. His past roles include marketing, engineering, product development and strategic planning, and his product expertise includes microprocessors, network processors, multi-core processors, FLASH, EPROM, analog, mixed-signal, sensors, wireless base station, workstations and servers. Immediately before joining our company, Mr. Kim served as Vice President, Infrastructure Processor Division, and General Manager of the OCTEON Multi-Core Processor Group of Cavium, Inc., where he worked from 2006 to 2013. Prior to Cavium, Mr. Kim served as Core Team Lead and General Manager of the Tolapai Program at Intel Corporation from 2004 to 2006. In 1998, Mr. Kim co-founded API Networks, a joint venture between Samsung and Compaq, where he served as the head of product management, worldwide sales and business development for Alpha processors. Prior to API Networks, Mr. Kim served as Director of Marketing at Samsung Semiconductor, Inc. from 1996 to 1998. Mr. Kim began his career as a product engineer at Intel Corporation in 1988. Mr. Kim holds B.S. and M. Eng. degrees in Electrical Engineering from Cornell University. Our Board has concluded that Mr. YJ Kim is a valuable member of the Board based on his understanding of our company’s products and technology as our Chief Executive Officer and his deep knowledge of the semiconductor industry.

Shin Young Park, Chief Financial Officer. Ms. Shin Young Park became our Chief Financial Officer in January 2022 and became our Chief Accounting Officer in March 2020. Ms. Park previously served as the Company’s Corporate Controller from November 2018 to February 2020. Prior to that, she served as the SEC Reporting and Accounting Director from April 2015 to October 2018. Before joining the Company in April 2014, from 2005 to March 2014, Ms. Park served in various senior advisory and audit service positions at Deloitte, a public accounting firm. From 2005 to 2009, she worked at Deloitte & Touche in Chicago, Illinois; from 2009 to 2011 and then from 2013 to March 2014, she worked at Deloitte Anjin in Seoul, South Korea; and from 2011 to 2013, she worked at Deloitte in London, U.K. Ms. Park holds a B.A. degree in business administration from Sogang University, Seoul, Korea, and a Master’s degree in hospitality industry studies from New York University.

Theodore Kim, Chief Compliance Officer, General Counsel and Secretary. Mr. Theodore (“Ted”) Kim became our Chief Compliance Officer in May 2015 and became our General Counsel and Secretary in November 2013. Mr. Kim previously served as our Senior Vice President from November 2013 to May 2015. Prior to joining Magnachip, Mr. Kim served as Head Lawyer, Global Business Development at Samsung Fire & Marine Insurance from October 2012 to October 2013. Mr. Kim was employed by Gibson Dunn, a law firm, from October 2005 to July 2012, serving most recently as Of Counsel. Prior to that, he served as Foreign Legal Consultant at Kim & Chang, a law firm in Korea, from 2001 to 2005, and prior to that, he worked as an associate attorney at Morrison & Foerster, a law firm, from 1997 to 2001. Mr. Kim holds a B.A. degree in Economics and a B.S. degree in Mechanical Engineering from University of California, Irvine, and a J.D. degree from University of California, Los Angeles, School of Law.

Woung Moo Lee, General Manager of Worldwide Sales. Mr. Woung Moo Lee was named as General Manager of Worldwide Sales since June of 2020. Prior to that, Mr. Lee served as General Manager of Worldwide Sales and Power Solutions from February 2020. Mr. Lee had been appointed as General Manager of the Standard Products Group in 2015 and prior to that served as our Senior Vice President, Korea Sales from 2013. Before joining our company, he was one of the founding executives and served as Vice President of Global Strategy and Marketing, Samsung LED Co., Ltd. from 2009 to 2011. In 1984, Mr. Lee began his career as a memory semiconductor design engineer and served as Vice President of Memory Strategy & Marketing Team at Samsung Electronics Co., Ltd. until 2009. Mr. Lee received the prestigious "Proud Samsung Employee Award" in 2005 and holds a B.S. degree in Electronic Engineering from Inha University.

Chan Ho Park, General Manager of Power Solutions. Dr. Chan Ho Park became our General Manager of Power Solutions in June 2020 with over 30 years of hands-on experience in the development of discrete power devices and market insights throughout the power semiconductor industry. Prior to joining our company, he was a senior staff at Vishay Intertechnology Inc. since March, 2014. He developed cutting-edge technology platforms for low voltages MOSFETs having 1.5 giga-cell density and provided high and low side MOSFETs for DrMOS to various power stage solutions. Dr. Park started his professional career in 1986 as a design engineer in the field of BJT, J-FET, and Schottky Diode at Samsung Electronics, located in Bucheon, Korea. Afterwards, he worked for Fairchild Semiconductor in West Jordan, Utah and for Vishay Siliconix in San Jose, California. He rejoined Samsung Electronics, System LSI Business in 2011 as the Vice President of Discrete Development Team, where he led R&D, PE, FAE and high voltage power IC technologies for IGBTs, super-junction MOSFETs, split gate MOSFETs and driver ICs. He received a Ph.D. in Electrical Engineering from KAIST (Korea Advanced Institute of Science and Technology) and a B.S. in Physics from Seoul National University. He is a member of IEEE and a peer reviewer for IEEE transactions on Electron Devices and Electron Device Letters.

Item 1A. Risk Factors

You should carefully consider the risk factors set forth below as well as the other information contained in this Report. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. As a result, the price of our common stock could decline and you could lose all or part of your investment in our common stock. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risk Factors Summary

The following is a summary of the risk factors included herein.

- ***We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect, our financial results could be negatively impacted.***
- ***A significant portion of our sales comes from a relatively limited number of customers, the loss of which could adversely affect our financial results.***
- ***The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit.***
- ***We are subject to risks associated with currency fluctuations, and changes in the exchange rates of applicable currencies could impact our results of operations.***
- ***Global shortages in manufacturing capacities could interrupt or negatively affect our operations, increase cost to manufacture and negatively impact our results of operations.***
- ***Expanded trade restrictions may limit our ability to sell to certain customers.***
- ***Recent changes in international trade policy and the imposition and threats of international tariffs, including tariffs applied to goods traded between the United States and China, could materially and adversely affect our business and results of operations.***
- ***Our Korean subsidiary has been designated as a regulated business under Korean environmental law, and such designation could have an adverse effect on our financial position and results of operations.***
- ***Our compliance with the Serious Accidents Punishment Act (the "SAPA") could require significant expenditures and management time and expose us to liability for violations.***
- ***Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results.***
- ***We cannot guarantee that our share repurchase program will be successfully consummated, or that it will enhance shareholder value, and share repurchases could affect the price of our common stock.***
- ***Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock.***
- ***We have not historically paid dividends and do not currently have any dividend or distribution policy, and therefore, investors may need to rely on sales of their common stock as the only way to realize any future gains on their investments.***

Risks Related to Our Business

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns that may negatively impact our results of operations.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, short product life cycles (for semiconductors and for the end-user products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns have been characterized by diminished demand for end-user products, high inventory levels, underutilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes. This may reduce our results of operations. Over the prior two years, increases in demand for semiconductor products resulted in a global shortage of manufacturing capacities. As a result, we experienced increases in the costs to manufacture our products. We are not able to foresee when the current shortage of manufacturing capacity will subside. If we are unable secure manufacturing capacities from our current subcontractors, our ability to deliver our products to our customers may be negatively impacted. These factors could cause a negative impact on our results of operations. However, we are beginning to see some indicators of improvement of such supply shortage situation. Current global macroeconomic conditions, including COVID-19 pandemic, higher inflation and interest rates and uncertainty caused by the Russian-Ukraine war, have led to weaker end-market demand and an oversupply of inventory. We continue to monitor these trends and uncertainties, and any decline in end-market demand and increase in inventory levels could negatively impact our financial condition and results of operations.

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

Our restructuring activities and dispositions of assets and businesses could result in lost business and other costs that could have a material adverse effect on our results of operations.

From time to time, we may choose to sell assets, restructure business operations, shut down manufacturing lines or otherwise dispose of assets and businesses as part of management's strategies to better align our product offerings with market demands and our customers' needs. In connection with these activities, we face risks that we will disrupt service to our customers, lose business and incur significant costs related to such activities. These risks include potential damage to our reputation and customer relationships if we are unable to effectively transition such customer relationships to other production lines or products or if we cannot effectively manage our supplier and vendor relationships during such activities. In addition, we may also face claims or costs associated with transitioning or eliminating certain employee positions and modifying or terminating vendor relationships in connection with those exit activities.

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

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

We must develop new products and enhance our existing products to meet rapidly evolving customer requirements. We design products for customers that continually require higher performance and functionality at lower costs. We must, therefore, continue to enhance the performance and functionality of our products. The development process for these advancements is lengthy and requires us to accurately anticipate technological changes and market trends. Developing and enhancing these products is uncertain and can be time-consuming, costly and complex.

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

We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect, our financial results could be negatively impacted.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer demand and expected demand for and success of their products. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to estimate accurately future customer demand for our products. On occasion, customers may require rapid increases in supply, which can challenge our production resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit.

Our customers may cancel their orders, reduce quantities or delay production, which would adversely affect our margins and results of operations.

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

Our fab manufacturing depends on high utilization of our manufacturing capacity, a reduction of which could have a material adverse effect on our business, financial condition and the results of our operations.

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

A significant portion of our sales comes from a relatively limited number of customers, the loss of which could adversely affect our financial results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high-volume products, particularly our display products, our financial results could be adversely affected. In addition, our arrangements with and reliance on key customers may make it less practicable to pursue certain opportunities with other potential new and existing customers. For the years ended December 31, 2022, 2021 and 2020, our ten largest customers accounted for 69.4%, 79.8% and 87.6% of net sales from our standard products business, respectively. For the year ended December 31, 2022, sales to Samsung Display represented 19.0% of net sales from our standard products business and 80.2% of net sales from our Display Solutions business line, and SAMT represented 13.8% of net sales from our standard products business and 18.1% of net sales from our Power Solutions business line. For the year ended December 31, 2021, sales to Samsung Display represented 42.5% of net sales from our standard products business and 89.7% of net sales from our Display Solutions business line, and SAMT represented 10.4% of net sales from our standard products business and 19.8% of net sales from our Power

Solutions business line. For the year ended December 31, 2020, sales to Samsung Display represented 56.2% of net sales from our standard products business and 87.5% of net sales from our Display Solutions business line. Significant reductions in sales to any of these customers, especially our few largest customers, the loss of other major customers or a general curtailment in orders for our high-volume products within a short period of time could adversely affect our business.

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

The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross profit to decrease. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products on a timely basis with higher selling prices or gross profit.

Our industry is highly competitive, and our ability to compete could be negatively impacted by a variety of factors.

The semiconductor industry is highly competitive and includes hundreds of companies, a number of which have achieved substantial market share within both our product categories and end markets. Current and prospective customers for our products and services evaluate our capabilities against the merits of our competitors. Some of our competitors are well established as independent companies and have substantially greater market share and manufacturing, financial, research and development and marketing resources than we do. We also compete with emerging companies that are attempting to sell their products in certain of our end markets and with the internal semiconductor design and manufacturing capabilities of many of our significant customers. We expect to experience continuing competitive pressures in our markets from existing competitors and new entrants.

Any consolidation among our competitors could enhance their product offerings and financial resources, further enhancing their competitive position. Our ability to compete will depend on a number of factors, including the following:

- our ability to offer cost-effective and high quality products and services on a timely basis using our technologies;
- our ability to accurately identify and respond to emerging technological trends and demand for product features and performance characteristics;
- our ability to continue to rapidly introduce new products that are accepted by the market;
- our ability to adopt or adapt to emerging industry standards;
- the number and nature of our competitors and competitiveness of their products and services in a given market;
- entrance of new competitors into our markets; and
- our ability to enter the highly competitive power management market.

Many of these factors are outside of our control. In the future, our competitors may replace us as a supplier to our existing or potential customers, and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and results of operations.

Changes in demand for consumer electronics in our end markets can impact our results of operations.

Demand for our products will depend in part on the demand for various consumer electronics products, in particular, mobile phones and multimedia devices, digital televisions, flat panel displays, mobile PCs and digital cameras, which in turn depends on general economic conditions and other factors beyond our control. If our customers fail to introduce new products that employ our products or component parts, demand for our products will suffer. To the extent that we cannot offset periods of reduced demand that may occur in these markets through greater penetration of these markets or reduction in our production and costs, our sales and gross profit may decline, which would negatively impact our business, financial condition and results of operations.

If we fail to achieve design-wins for our semiconductor products, we may lose the opportunity for sales to customers for a significant period of time and be unable to recoup our investments in our products.

We expend considerable resources on winning competitive selection processes, known as design-wins, to develop semiconductor products for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. Once a customer designs a semiconductor into a product, that customer is likely to continue to use the same semiconductor or enhanced versions of that semiconductor from the same supplier across a number of similar and successor products for a lengthy period of time due to the significant costs associated with qualifying a new supplier and potentially redesigning the product to incorporate a different semiconductor. If we fail to achieve initial design-wins in a customer's qualification process, we may lose the opportunity for significant sales to that customer for a number of products and for a lengthy period of time. This may cause us to be unable to recoup our investments in our semiconductor products, which would harm our business.

We have lengthy and expensive design-to-mass production and manufacturing process development cycles that may cause us to incur significant expenses without realizing meaningful sales, the occurrence of which would harm our business.

The cycle time from the design stage to mass production for some of our products is long and requires the investment of significant resources with many potential customers without any guarantee of sales. Our design-to-mass production cycle typically begins with a three-to-twelve month semiconductor development stage and test period followed by a three-to-twelve month end-product qualification period by our customers. The fairly lengthy front end of our sales cycle creates a risk that we may incur significant expenses but may be unable to realize meaningful sales. Moreover, prior to mass production, customers may decide to cancel their products or change production specifications, resulting in sudden changes in our product specifications, increasing our production time and costs. Failure to meet such specifications may also delay the launch of our products or result in lost sales.

Research and development investments may not yield profitable and commercially viable products, and thus will not necessarily result in increases in revenues for us.

We invest significant resources in our research and development. Our research and development efforts, however, may not yield profitable or commercially viable products. During each stage of research and development, there is a substantial risk that we will have to abandon a potential product that is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products, a significant amount of time will have elapsed between our investment in the necessary research and development effort and the receipt of any related revenues.

We face numerous challenges relating to executing our growth strategy, and if we are unable to execute our growth strategy effectively, our business and financial results could be materially and adversely affected.

Our growth strategy is to leverage our advanced analog and mixed-signal technology platform, continue to innovate and deliver new products, increase business with existing customers, broaden our customer base, aggressively grow our power business, and drive execution excellence. If we are unable to execute our growth strategy effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities and our business and financial results could be materially and adversely affected.

We are subject to risks associated with currency fluctuations, and changes in the exchange rates of applicable currencies could impact our 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, 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, a depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. For example, foreign currency fluctuations had an unfavorable impact on our reported profit margins and operating income from operations for the fiscal year ended December 31, 2021 due to a relatively stronger Korean won during the period, while we had a favorable impact on our reported profit margins and operating income from operations for the fiscal year ended December 31, 2022 due to a relatively weaker Korean won during the period. 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 December 31, 2022, the outstanding intercompany loan balance including accrued interests between our Korean subsidiary and our Dutch subsidiary was $311.0 million. Our Dutch subsidiary uses the U.S. dollar as their functional currency. As a result of 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 common 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. These foreign currency forward and zero cost collar contracts typically require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during successive months to our counterparty in exchange for Korean won at specified exchange rates. 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 million at the end of a fiscal quarter. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations" for further details.

The loss of our key employees would materially adversely affect our business, and we may not be able to attract or retain the technical or management employees necessary to compete in our industry.

Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives. The loss of such key personnel would have a material adverse effect on our business. In addition, our future success depends on our ability to attract and retain skilled technical and managerial personnel. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations. This could hinder our research and product development programs or otherwise have a material adverse effect on our business.

If we encounter future labor problems, we may fail to deliver our products and services in a timely manner, which would adversely affect our revenues and profitability.

As of December 31, 2022, 485 employees, or approximately 56% of our employees, were represented by the Magnachip Semiconductor Labor Unions. We can offer no assurance that any issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience work stoppages or other labor problems in future years or that we will not incur significant expenses related to such issues.

We may incur costs to engage in future business combinations or strategic investments, and we may not realize the anticipated benefits of those transactions.

As part of our business strategy, we may seek to enter into business combinations, investments, joint ventures and other strategic alliances with other companies in order to maintain and grow revenue and market presence as well as to provide us with access to technology, products and services. Any such transaction would be accompanied by risks that may harm our business, such as difficulties in assimilating the operations, personnel and products of an acquired business or in realizing the projected benefits, disruption of our ongoing business, potential increases in our indebtedness and contingent liabilities and charges if the acquired company or assets are later determined to be worth less than the amount paid for them in an earlier original acquisition. In addition, our indebtedness may restrict us from making acquisitions that we may otherwise wish to pursue.

The failure to achieve acceptable manufacturing yields could adversely affect our business.

The manufacturing of semiconductors involves highly complex processes that require precision, a highly regulated and sterile environment and specialized equipment. Defects or other difficulties in the manufacturing process can prevent us from achieving acceptable yields in the manufacturing of our products, which could lead to higher costs, a loss of customers or delay in market acceptance of our products. Slight impurities or defects in the photomasks used to print circuits on a wafer or other factors can cause significant difficulties, particularly in connection with the production of a new product, the adoption of a new manufacturing process or any expansion of our manufacturing capacity and related transitions. We may also experience manufacturing problems in achieving acceptable yields as a result of, among other things, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies. Yields below our target levels can negatively impact our gross profit and may cause us to eliminate underperforming products.

We rely on a number of independent subcontractors and the failure of any of these independent subcontractors to perform as required could adversely affect our operating results.

A substantial portion of our net sales are derived from semiconductor devices assembled in packages or on film. The packaging and testing of semiconductors require technical skills and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea and China. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels, and, while we specify quality standards, we are not able to directly oversee their day-to-day operations and the packaging and testing of our devices. Onboarding of a new subcontractor, including as a result of switching from one subcontractor to another, takes approximately three to six months to verify the subcontractor's capabilities and an additional six to twelve months to receive approval from our customers to use such subcontractor. We could be adversely affected by political disorders, labor disruptions, public health issues (including viral outbreaks such as COVID-19) and natural disasters where our subcontractors are located due to the time it would take to onboard a new subcontractor. If our semiconductor packagers and test service subcontractors experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems, experience shutdowns or delays associated with public health issues (such as those associated with COVID-19), or decrease the capacity of their operations available to us, our operating results could be adversely affected.

We cooperate with independent foundries to produce certain Display Solutions and Power Solutions products, and the failure of such independent foundries to satisfy our demand could materially disrupt our business.

We use independent foundry services for certain of our OLED Display Solutions products and Power Solutions products. Silicon wafer production at these facilities is allocated solely by our vendors and beyond our direct control. Therefore, any disruption in wafer supply from these vendors could have a material impact on our revenue and results of operations.

Global shortages in manufacturing capacities could interrupt or negatively affect our operations, increase cost to manufacture and negatively impact our results of operations.

Increases in demand for semiconductor products resulted in a global shortage of manufacturing capacity over the prior two years. As a result, we may experience increases in the costs to manufacture our products and may not be able to manufacture and deliver all of the orders placed by our customers. We are not able to foresee when the current shortage of manufacturing capacity will subside. If we are unable secure manufacturing capacities from our current subcontractors, our ability to deliver our products to our customers may be negatively impacted. Also, our subcontractors may increase their fees, which would result in an increase in our manufacturing costs, which we may not be fully able to pass to our customers. These factors could cause a negative impact on our results of operations.

We depend on successful parts and materials procurement for our manufacturing processes, and a shortage or increase in the price of these materials could interrupt our operations and result in a decline of revenues and results of operations.

We procure materials and electronic and mechanical components from international sources and original equipment manufacturers. We use a wide range of parts and materials in the production of our semiconductors, including silicon, processing chemicals, processing gases, precious metals and electronic and mechanical components, some of which, such as silicon wafers, are specialized raw materials that are generally only available from a limited number of suppliers. If demand increases or supply decreases for any reason, the costs of our raw materials could significantly increase. For example, worldwide supplies of silicon wafers, an important raw material for the semiconductors we manufacture, have been constrained in recent years due to an increased demand for silicon. We from time to time may enter into multi-year agreements, which specify future quantities and pricing of materials to be supplied by the vendors of these materials; however, this option may not be available to us and we cannot assure that supply increases will match demand increases. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, revenues and results of operations will decline.

Compliance with regulations regarding the use of "conflict minerals" could limit the supply and increase the cost of certain raw materials used in manufacturing our products.

The SEC, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopted disclosure regulations for public companies that manufacture products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries and procedures pertaining to a manufacturer's efforts regarding the source of such minerals. These "conflict minerals" are commonly found in metals used in the manufacture of semiconductors. Manufacturers are also required to disclose their efforts to prevent the sourcing of such minerals and metals produced from them. The implementation of these requirements could adversely affect the sourcing, availability and pricing of metals used in the manufacture of our products. We may also incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals used in our products. We may also face difficulties in satisfying customers who may require that our products be certified as free of "conflict materials," which could harm our relationships with these customers and lead to a loss of revenue.

We face warranty claims, product return, litigation and liability risks and the risk of negative publicity if our products fail.

Our semiconductors are incorporated into a number of end products, and our business is exposed to product return, warranty and product liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for product liability claims, the amount and scope of our insurance may not be adequate to cover a product liability claim that is asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms, or at all. In addition, we are exposed to the product liability risk and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our products are delivered with impurities or defects, we could incur additional development, repair or replacement costs, and our credibility and the market's acceptance of our products could be harmed.

We could suffer adverse tax and other financial consequences as a result of changes in, or differences in the interpretation of, applicable tax laws, or the adoption of new U.S. or international tax legislation.

Our company's organizational structure was created in part based on certain interpretations and conclusions regarding various tax laws, including withholding tax and other tax laws of applicable jurisdictions. Our interpretations and conclusions regarding tax laws, however, are not binding on any taxing authority and, if these interpretations and conclusions are incorrect, if our business were to be operated in a way that rendered us ineligible for tax exemptions or caused us to become subject to incremental tax, or if the authorities were to change, modify or have a different interpretation of the relevant tax laws, we could suffer adverse tax and other financial consequences, and the anticipated benefits of our organizational structure could be materially impaired. Our company's organizational structure and other tax positions are subject to review by tax authorities in the local and other jurisdictions where we operate our business.

Our provision for income taxes is subject to volatility and could be negatively affected by earnings being (i) lower than anticipated in jurisdictions that have lower statutory tax rates or (ii) higher than anticipated in jurisdictions that have higher statutory tax rates. In addition, our provision for income taxes could be negatively affected by changes in the valuation of our deferred tax assets and liabilities, changes to global intangible low-tax income tax laws, transfer pricing adjustments, or changes in tax laws, regulations, or accounting principles.

Additional changes in the U.S. tax regime or in how U.S. multinational corporations are taxed on foreign income, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations. For example, the Organization for Economic Cooperation and Development (OECD) has recommended changes to numerous long-standing international tax principles through its base erosion and profit shifting (BEPS) project. These changes, to the extent adopted, may increase tax uncertainty, result in higher compliance costs and adversely affect our provision for income taxes, results of operations and/or cash flow.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (the ''IRA''), which, among other things, implements a 15% alternative minimum tax on the adjusted financial statement income of large corporations with average annual financial income exceeding $1 billion, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. The IRA provisions are effective for tax years beginning after December 31, 2022. On December 12, 2022, the European Union member states agreed to implement the OECD's Pillar 2 global corporate minimum tax rate of 15% on companies with revenues of at least EUR 750 million, which will be effective for fiscal years beginning on January 1, 2024. Additionally, South Korea became one of the first countries to enact minimum tax rules. At this time, we do not anticipate that changes in the tax laws will have a material impact to our consolidated tax provision for the year ending December 31, 2022 or December 31, 2023. We will continue to monitor as new information and guidance becomes available.

We are also subject to regular reviews, examinations and audits by the IRS and other taxing authorities, including the Korean National Tax Service, with respect to income and non-income based taxes both within and outside the U.S. In connection with the OECD's BEPS project, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of income earned in various countries. Economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult and the final resolution of tax audits and any related litigation could differ from our historical provisions and accruals, resulting in an adverse impact on our business, financial condition or results of operations.

Expanded trade restrictions imposed by the United States may limit our ability to sell to certain customers.

On August 17, 2020, the U.S. Department of Commerce expanded the scope of export restrictions as applied to products directed to Huawei and its affiliates listed on the Bureau of Industry and Security's Entity List (collectively, ''Huawei''). While prior restrictions had minimal effect on our ability to supply to customers, the newly expanded restrictions would limit our ability to supply to a variety of customers who we believe incorporate our products to those customers' products directly or indirectly sold to Huawei. As of the date of this Annual Report, we are uncertain on the seriousness of the restrictions' impact or duration and the future trajectory of our business from customers who directly or indirectly supply Huawei with products that incorporate our products. For export of some of our products, we have successfully obtained the necessary export licenses, and if exports of other products require export licenses due to the restrictions, we will consider applying for the necessary export licenses to continue to sell to the affected customers. Although we have thus far successfully obtained the necessary export licenses for exporting some of our products, we are unsure whether our other applications will be successful. There is also a possibility that export restrictions may be further expanded to target companies in addition to Huawei, which may have an additional impact on our ability to sell to our customers. Export restrictions may also affect our contractors, suppliers or customers, and we cannot assure that they will not violate the restrictions, and any such violations may result in fines or criminal sanctions against us and damage our reputation.

Additionally, the U.S. has published significant changes to U.S. export control regulations with respect to Russia and China, and we anticipate additional changes to export control regulations in the future. For example, the U.S. government has implemented controls on advanced computing ICs, computer commodities that contain such ICs, and certain semiconductor manufacturing items, as well as controls on transactions involving items for supercomputer and semiconductor manufacturing end-users. The new controls expand the scope of foreign-produced items subject to license requirements for certain entities on the U.S. government's Entity List. Future changes in the U.S. export control regulations, including changes in the enforcement and scope of such regulations, may create delays in the introduction of our products or services in international markets or could prevent our customers with international operations from deploying our products or services globally. In some cases, such changes could prevent the export or import of our products, which could have a material impact on our future results of operations and financial condition.

Expanded trade restrictions imposed by South Korea may limit our ability to sell to certain customers or engage in any potential strategic opportunities.

Under the ITA, any export (including various means of outflow, such as sale or transfer outside Korea) of National Core Technology by MOTIE requires the filing of a prior-report with, and the acceptance of the same by, the MOTIE. Any such export of NCT without the acceptance of the prior-report with the MOTIE may be subject to corrective orders by the relevant authorities, and failure to comply with such corrective orders may potentially result in criminal liabilities.

The Notification Regarding Designation of National Core Technologies issued by the MOTIE was amended on July 14, 2021 to add certain technologies to the list of National Core Technology designated by the MOTIE, and the amended list includes the design technology for OLED DDI. In the ordinary course of business, our Korean subsidiary may provide certain information relating to its products, including OLED DDI, to customers, suppliers or vendors, and such disclosure of information may be subject to the NCT-related regulations under the ITA, and therefore the MOTIE's acceptance of prior reports. Since the amendment of the foregoing NCT list in July 2021, we have filed prior-reports with the MOTIE for the export of our OLED DDI product-related information to certain overseas vendors that manufacture our products, and all such reports have thus far been accepted by the MOTIE.

There is no assurance, however, that any future prior-reports for the export of our product-related information will be accepted by the MOTIE. In the event that any future prior-report is not accepted, we may be unable to continue our business with the overseas customers, suppliers or vendors, including the manufacturing and delivery of our OLED DDI products.

In addition, in the event that there is any M&A transaction with respect to our Korean subsidiary that results in non-Korean ownership of 50% or more, or exertion of control over the appointment of officers/management by a non-Korean person or entity as the largest shareholder, a prior-report with and the acceptance by the MOTIE is required under the ITA. There is no assurance that any report for an M&A transaction involving non-Korean acquirers or investors will be accepted by the MOTIE when such transaction is pursued in the future.

Recent changes in international trade policy and the imposition and threats of international tariffs, including tariffs applied to goods traded between the United States and China, could materially and adversely affect our business and results of operations.

Since the beginning of 2018, there have been increasing public threats and, in some cases, legislative or executive action, from U.S. and foreign leaders regarding instituting tariffs against foreign imports of certain materials. More specifically, since March of 2018, the U.S. and China have applied tariffs to certain of each other's exports. The institution of trade tariffs globally, and between the U.S. and China specifically, may negatively impact the affected countries' economic conditions, which could negatively affect demand for our products in those countries and materially and adversely affect our business and results of operations of our customers serving the affected markets. Imposition of tariffs could increase costs of the end-user products we supply that we may not be able to pass on to our customers, which could in turn cause a decrease in the sales of our products and materially and adversely affect our business and results of operations.

Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our intellectual property, proprietary technology and know-how, as well as our ability to operate without infringing the proprietary rights of others.

We attempt to protect our intellectual property rights, both in the U.S. and in foreign countries, through a combination of patent, trademark, copyright, mask works and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. Because of the differences in foreign trademark, patent and other laws concerning proprietary rights, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the U.S. In particular, the validity, enforceability and scope of protection of intellectual property in China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are uncertain and still evolving and historically have not protected, and may not protect in the future, intellectual property rights to the same extent as do the laws and enforcement procedures in the U.S. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

We seek to protect our proprietary technologies and know-how through the use of patents, trade secrets, confidentiality agreements and other security measures. The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Many of our patents are subject to cross licenses, several of which are with our competitors. Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. Further, it is possible that others will independently develop the same or similar technologies, even without access to our proprietary technologies.

We rely on our trademarks, trade names, and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks.

Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others. We have no means of knowing what patent applications have been filed until they are published.

In addition, the semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may need to file lawsuits to enforce our patents or intellectual property rights, and we may need to defend against claimed infringement of the rights of others. Any litigation could result in substantial costs to us and divert our resources, and we cannot assure you that we will prevail. Any claims of intellectual property infringement or misappropriation against use, even those without merit, could require us to:

- pay substantial damages or indemnify customers or licensees for damages they may suffer if the products they purchase from us or the technology they license from us violate the intellectual property rights of others;
- stop our manufacture, use, sale or importation of the accused products;
- redesign, reengineer or rebrand our products, if feasible;
- expend significant resources to develop or acquire non-infringing technologies;
- discontinue processes; or
- obtain licenses to a third party's intellectual property.

There can be no assurance that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all.

We license certain intellectual property from third parties. The termination of key third-party licenses relating to the use of intellectual property in our products and our design processes would adversely affect certain areas of our business.

We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses.

We are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, change frequently and have tended to become more stringent over time. Among them is the Act on Remediation and Compensation for Damages arising from Environmental Contamination which came into effect in Korea on January 1, 2016 and provides for strict liability of business entities in violation of the act and alleviates the burden of proof for the damaged party. Further, under the amendment to the Act on the Control and Aggravated Punishment of Environmental Offenses that becomes effective on November 27, 2020, certain environmental offenses such as illegally emitting specified hazardous air pollutants or emitting air pollutants without necessary permits will be subject to penalties of up to 5% of the sales amount generated from the relevant business. Moreover, to effectively respond to environmental crimes, on November 14, 2022, a joint investigation team was established, consisting of experts from both national and local governments, including the prosecutor's office, the Ministry of Environment. As a result, we have increased potential exposure to liability for environmental contaminations that might have existed in the past or would arise in the future. There can be no assurance that we have been, or will be, in compliance with all such laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

Our Korean subsidiary has been designated as a regulated business under Korean environmental law, and such designation could have an adverse effect on our financial position and results of operations.

Since 2015, our Korean subsidiary has been subject to K-ETS, a new set of greenhouse gas emissions regulations, under the Act on Allocation and Trading of Greenhouse Gas Emission Allowances. Under K-ETS, our Korean subsidiary was allocated a certain amount of emissions allowance in accordance with the National Allocation Plan prepared by the Korean government, and is required to meet its allocated target by either reducing emissions or purchasing allowances from other participants or the government in the emission trading market. Reduction of our emissions or energy consumption may result in additional and potentially costly compliance or remediation expenses, including potentially the installation of equipment and changes in the type of materials we use in manufacturing, as well as cost of procuring emission allowances to cover the excess emissions, which could adversely affect our financial position and results of operations. During the first implementation period from 2015 to 2017 and second implementation period from 2018 to 2020, we did not exceed the allocated emission amount. Our Korean subsidiary has been allocated emissions allowance in the third implementation period from 2021 to 2025, and we do not expect to exceed the allocated emission amount during the third implementation period. If, however, our Korean subsidiary exceeds the allocated emission amount the third implementation period, we will be required to pay for the excess emissions and may be subject to other regulatory action. We will continue to monitor our compliance with the emissions allowance on a yearly basis. In addition, from time to time, if we assess that we have excess allowances, we may sell such excess allowances to manufacturers in the emission market in Korea.

Furthermore, the Korean legislature enacted the Framework Act on Carbon Neutrality and Green Growth for Responding to Climate Change (the "Carbon Neutrality Framework Act") on September 24, 2021. The Carbon Neutrality Framework Act aims to reduce greenhouse gas emissions by more than 35% by 2030 (compared to 2018) and proclaims the achievement of carbon neutrality by 2050 as a national vision. The Carbon Neutrality Framework Act is significant in that it legislates carbon neutrality and greenhouse gas reduction objectives, and enables the central administrative agencies, local governments and public institutions to implement various measures towards such objectives. On March 25, 2022, the Enforcement Decree of the Carbon Neutrality Framework Act (the "Enforcement Decree") was enacted. The Enforcement Decree aims to provide details required for the execution of items prescribed under the Carbon Neutrality Framework Act. The key provisions of the Enforcement Decree include those setting the mid- to long-term greenhouse gas reduction goal at 40% and implementing the climate change impact assessment scheme. It is anticipated that the Carbon Neutrality Framework Act, which aims to promote the harmonious development of the economy and the environment in conjunction with active greenhouse gas reduction measures, will serve as the foundation for the government's climate change response policy going forward.

Our compliance with the Serious Accidents Punishment Act (the "SAPA") could require significant expenditures and management time and expose us to liability for violations.

Enacted on January 26, 2021 and effective as of January 27, 2022 in Korea, the SAPA will impose enhanced liability exposure for workplace accidents. The legislative goal of the SAPA is to prevent serious accidents by prescribing punishments and punitive damages liability for business owners or responsible management personnel who have violated safety and health measures in the event of such serious accidents (serious industrial accidents and serious civil accidents). Since the law applies to businesses in Korea with 50 or more full-time employees starting from January 27, 2022, our Korean subsidiary becomes subject to the law after the effective date. According to the SAPA, if a serious occupational accident occurs that results in at least one deceased person, at least two persons wounded for six months or more, or at least three persons suffering from occupational diseases within a one year period, if the "business owners or responsible management personnel" of the relevant business place is found to have failed to perform its "obligation to secure safety and health," that person may be subject to imprisonment for up to 7 year or a fine of up to KRW 100 million (in case of death, imprisonment for not less than 1 year or a fine of not less than KRW 1 billion). Additionally, if there was negligence of the company in giving due attention and supervision to prevent such accident, the company will be subject to a fine up to KRW 5 billion under joint penalty provisions. Relevant responsible management personnel will also be required to spend more time, effort and cost to comply with the SAPA and perform the necessary additional duties imposed by the law to ensure compliance.

We may need additional capital in the future, and such capital may not be available on acceptable terms or at all, which would have a material adverse effect on our business, financial condition and results of operations.

We may require more capital in the future from equity or debt financings to fund operating expenses, such as research and development costs, finance investments in equipment and infrastructure, acquire complementary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our common stock. There can be no assurance that any additional equity or debt financing would be available to us, or if available, that such financing would be on favorable terms to us. Accordingly, if we are unable to obtain additional capital or our business does not generate sufficient cash flows from operating activities to fund our working capital needs and planned capital expenditures, and our cash reserves are depleted, we may need to take various actions, such as down-sizing and/or eliminating certain operations, which could include additional exit costs, reducing or delaying capital expenditures, selling assets, or other restructuring actions. There can be no assurance that we would be successful in taking such actions and, in any event, such actions may result in a material adverse effect on our business and results of operations. In addition, our indebtedness limits our ability to incur additional indebtedness under certain circumstances.

Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results.

We rely on, and expect to continue to rely on, suppliers, subcontractors and operations located primarily in Asia. As a result, we face risks inherent in international operations, such as unexpected changes in regulatory requirements, tariffs and other market barriers, political, social and economic instability, adverse tax consequences, war, civil disturbances and acts of terrorism, public health issues (including viral outbreaks such as COVID-19), difficulties in accounts receivable collection, extended payment terms and differing labor standards, enforcement of contractual obligations and protection of intellectual property. These risks may lead to increased costs or decreased revenue growth, or both.

Our business, results of operations and financial condition and prospects may be materially and adversely affected by the ongoing COVID-19 pandemic or any future pandemic, epidemic or outbreak of any other highly infectious disease.

As a result of COVID-19, including the emergence of various variants, governments in affected countries have imposed travel bans, quarantines and other emergency public health measures. In response to the virus, national and local governments in numerous countries around the world have implemented substantial business restrictions and lockdown measures and may continue to impose similar policies in the future from time to time in response to further outbreaks of the virus. Private sector companies have also taken precautionary measures, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses and facilities. These restrictions have had, and these and future prevention and mitigation measures, may continue to have, an adverse impact on global economic conditions, which could materially adversely affect our future operations.

These measures have impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors, suppliers, and partners. The disruptions to our operations caused by the COVID-19 outbreak may result in inefficiencies, delays and additional costs in our research and development, sales and marketing, and customer service efforts that we cannot fully mitigate through remote or other alternative work arrangements. Also, some suppliers of materials used in the production of our products may have been or will be more severely impacted by COVID-19, which could limit our ability to obtain sufficient materials for our products. In addition, the severe global economic disruption caused by COVID-19 may cause our customers and end-users of our products to suffer significant economic hardship, which could result in decreased demand for our products in the future and materially adversely affect our business, results of operations, financial condition (including liquidity) and prospects.

The full extent to which COVID-19, or any future pandemic, epidemic or outbreak of any other highly infectious disease, impacts our operations and causes disruptions on our customers, end-users, overall demand for our products, supply chain, and the related financial impact to us, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the emergence and characteristics of new variants, the actions taken to contain the pandemic or mitigate its impact, including the adoption, administration and effectiveness of available COVID-19 vaccines, and the direct and indirect economic effects of the pandemic and containment measures, among others. Should such disruptions continue for an extended period of time, the impact could have a more severe adverse effect on our business, results of operations and financial condition (including liquidity). Additionally, weaker economic conditions generally could result in impairment in value of our tangible or intangible assets, or our ability to raise additional capital, if needed.

Tensions with North Korea could have an adverse effect on us and the market value of our shares.

Relations between South Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, in recent years, there have been heightened security concerns stemming from North Korea's nuclear weapon and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community.

North Korea's economy also faces severe challenges, and any adverse economic developments may further aggravate social and political tensions within North Korea.

Although we do not derive any revenue from, nor sell any products in, North Korea, any future increase in tensions between South Korea and North Korea that may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between South Korea and North Korea break down, or military hostilities occur, could have a material adverse effect on the South Korean economy and on our business, financial condition, results of operations and the market value of our common stock.

We may be subject to disruptions, breaches or cyber-attacks of our secured networks and information technology systems that could damage our reputation, harm our business, expose us to liability and materially adversely affect our results of operations.

In the ordinary course of our business, we collect and store sensitive data, including IP and other proprietary information about our business and that of our customers, suppliers and business partners. Secure maintenance, processing and transmission of this information is critical to our operations and business strategy. We may be subject to disruptions, breaches or cyber-attacks of our secured networks and information technology systems caused by illegal hacking, criminal fraud or impersonation, computer viruses, acts of vandalism or terrorism or employee error, and our security measures or those of any third party service providers we use may not detect or prevent such security breaches. We may incur significant costs to eliminate or alleviate cybersecurity breaches and vulnerabilities, which could be significant, and our efforts to protect against such breaches or vulnerabilities may not be successful and could result in system interruptions that may materially impede our sales, manufacturing, distribution, finance or other critical functions. Any such compromise of our information security could also result in the unauthorized publication of our confidential business or proprietary information or that of other parties with which we do business, an interruption in our operations, the unauthorized transfer of cash or other assets, the unauthorized release of customer or employee data or a violation of privacy or other laws in the jurisdictions in which we operate. Any of the foregoing could irreparably damage our reputation and business and/or expose us to material monetary liability, which could have a material adverse effect on our results of operations.

You may not be able to bring an action or enforce any judgment obtained in United States courts, or bring an action in any other jurisdiction, against us or our subsidiaries or our directors, officers or independent auditors that are organized or residing in jurisdictions other than the United States.

Most of our subsidiaries are organized or incorporated outside of the U.S. and some of our directors and executive officers as well as our independent auditors are organized or reside outside of the U.S. Most of our and our subsidiaries' assets are located outside of the U.S. and in particular, in Korea. Accordingly, any judgment obtained in the U.S. against us or our subsidiaries may not be collectible in the U.S. As a result, it may not be possible for you to effect service of process within the U.S. upon these persons or to enforce against them or us court judgments obtained in the U.S. that are predicated upon the civil liability provisions of the federal securities laws of the U.S. or of the securities laws of any state of the U.S. In particular, there is doubt as to the enforceability in Korea or any other jurisdictions outside the U.S., either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the federal securities laws of the U.S. or the securities laws of any state of the U.S.

We are a holding company and depend on the business of our subsidiaries to make payments to us.

We are a holding company with no independent operations of our own. Our subsidiaries conduct substantially all of the operations necessary to fund our obligations. Our ability to pay dividends or to make payments on any future obligations will depend on our subsidiaries' cash flow and their payment of funds to us. Our subsidiaries' ability to make payments to us will depend on:

- their earnings;
- covenants contained in any debt agreements to which we may then be subject, including any debt agreements of our subsidiaries;
- covenants contained in other agreements to which we or our subsidiaries are or may become subject;
- business and tax considerations; and
- applicable law, including any restrictions under Korean law that may be imposed on our Korean subsidiary that would restrict its ability to make payments on intercompany loans from our Dutch subsidiary.

We cannot assure that the operating results of our subsidiaries at any given time will be sufficient to make distributions or other payments to us.

We may at times need to incur impairment, restructuring and other restructuring related charges, which could materially affect our results of operations and financial condition.

During industry downturns and for other reasons, we may need to record impairment, restructuring or other restructuring related charges. In the future, we may need to record additional impairment charges or to further restructure our business or incur additional restructuring charges, any of which could have a material adverse effect on our results of operations or financial condition.

We are subject to litigation risks, which may be costly to defend and the outcome of which is uncertain.

All industries, including the semiconductor industry, are subject to legal claims, with and without merit, that may be particularly costly and which may divert the attention of our management and our resources in general.

We are involved in a variety of legal matters, most of which we consider routine matters that arise in the normal course of business. These routine matters typically fall into broad categories such as those involving customers, employment and labor and intellectual property. Even if the final outcome of these legal claims does not have a material adverse effect on our financial position, results of operations or cash flows, defense and settlement costs can be substantial. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows.

The price of our common stock may be volatile and you may lose all or a part of your investment.

The trading price of our common stock might be subject to wide fluctuations. Factors, some of which are beyond our control, that could affect the trading price of our common stock may include:

- actual or anticipated variations in our results of operations from quarter to quarter or year to year;
- announcements by us or our competitors of significant agreements, technological innovations or strategic alliances;
- changes in recommendations or estimates by any securities analysts who follow our securities;
- addition or loss of significant customers;
- recruitment or departure of key personnel;
- changes in economic performance or market valuations of competing companies in our industry;
- price and volume fluctuations in the overall stock market;
- market conditions in our industry, end markets and the economy as a whole;
- subsequent sales of stock and other financings; and
- litigation, legislation, regulation or technological developments that adversely affect our business.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation often has been instituted against the public company. Regardless of its outcome, this type of litigation could result in substantial costs to us and a likely diversion of our management's attention. You may not receive a positive return on your investment when you sell your shares, and you could lose some or the entire amount of your investment.

We cannot guarantee that our share repurchase program will be successfully consummated, or that it will enhance shareholder value, and share repurchases could affect the price of our common stock.

On December 21, 2021, the Board of Directors authorized us to repurchase up to $75.0 million of our outstanding common stock and we entered into an accelerated stock repurchase agreement (the "ASR Agreement") with JPMorgan Chase Bank, National Association ("JPM") to repurchase an aggregate of $37.5 million of our common stock. Pursuant to the terms of the ASR Agreement, we paid JPM $37.5 million in cash and received an initial delivery of 994,695 shares of our common stock. Upon final settlement of the ASR Agreement, we received an additional 1,031,576 shares of common stock from JPM. On August 31, 2022, the Board of Directors authorized an expansion of our previously announced stock repurchase program from $75 million to $87.5 million of our common stock. The remaining $50 million of the expanded $87.5 million program was planned to be repurchased in the open market or through privately negotiated transactions. In connection with the repurchase program, we established a stock trading plan with Oppenheimer & Co. Inc. in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. This share repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves. The IRA enacted in August 2022 imposes a 1% excise tax on the fair market value of stock repurchases made by covered corporations after December 31, 2022. The total taxable value of shares repurchased is reduced by the fair market value of any newly issued shares during the taxable year. We are assessing the potential impact of the stock repurchase excise tax. Based on our preliminary assessment, we do not expect a material impact on our overall share repurchase program or our consolidated financial statements.

See "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13. Stockholders' Equity and Stock-Based Compensation" for more information.

Significant ownership of our common stock by certain stockholders could adversely affect our other stockholders.

The concentration of ownership of our common stock by certain stockholders may limit the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our public stockholders do not view as beneficial. For example, any concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock.

Under our certificate of incorporation, our non-employee directors and non-employee holders of five percent or more of our outstanding common stock do not have a duty to refrain from engaging in a corporate opportunity in the same or similar activities or lines of business as those engaged in by us, our subsidiaries and other related parties. Also, we have renounced any interest or expectancy in such business opportunities even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted an opportunity to do so.

Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Among other things, our certificate of incorporation and bylaws:

- authorize our Board of Directors to issue, without stockholder approval, preferred stock with such terms as the Board of Directors may determine;
- prohibit action by written consent of our stockholders;
- prohibit any person other than our Board of Directors, the chairman of our Board of Directors, our Chief Executive Officer or holders of at least 25% of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors to call a special meeting of our stockholders; and
- specify advance notice requirements for stockholder proposals and director nominations.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), regulating corporate takeovers and which has an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such date, the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, DGCL Section 203 defines a business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, DGCL Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any such entity or person.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision.

We have not historically paid dividends and do not currently have any dividend or distribution policy, and therefore, investors may need to rely on sales of their common stock as the only way to realize any future gains on their investments.

We have not historically paid cash dividends and do not currently have any dividend or distribution policy. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, unless the Board implements a future dividend or distribution policy, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our manufacturing operations take place in a single fabrication facility located in Korea in Gumi. Our facility has a capacity of approximately 36,000 eight-inch equivalent wafers per month. We manufacture wafers utilizing geometries ranging from 0.35 to 0.50 microns. The Gumi facility has one main building with 41,022 square meters devoted to manufacturing, testing and packaging.

In addition to our fabrication facility in Gumi, we lease facilities in Cheongju and Seoul, Korea. Each of these facilities includes administration, sales and marketing and research and development functions. We lease sales and marketing offices through our subsidiaries in several other countries.

The ownership of our wafer manufacturing assets is an important component of our business strategy. Maintaining manufacturing control enables us to develop proprietary, differentiated products and results in higher production yields, as well as shortened design and production cycles. We believe our facilities are suitable and adequate for the conduct of our business for the foreseeable future and that we have sufficient production capacity to service our business as currently contemplated without significant capital investment.

All of our assembly, test and packaging services for our Display Solutions business and for our Power Solutions business are outsourced with the balance handled in-house. The independent providers of these outsourced services are located in Korea and China. The relative cost of outsourced services, as compared to in-house services, depends upon many factors specific to each product and circumstance. However, we generally incur higher costs for outsourced services, which can result in lower margins.

Item 3. Legal Proceedings

We are involved in a variety of legal matters, most of which we consider routine matters that arise in the normal course of business. These routine matters typically fall into broad categories such as those involving customers, employment and labor and intellectual property. Intellectual property litigation and infringement claims, in particular, could cause us to incur significant expenses or prevent us from selling our products. We are currently not involved in any legal proceedings that we believe would have a material adverse effect on our business, financial condition or results of operations.

See also “Item 1A. Risk Factors” in this Report for additional information.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

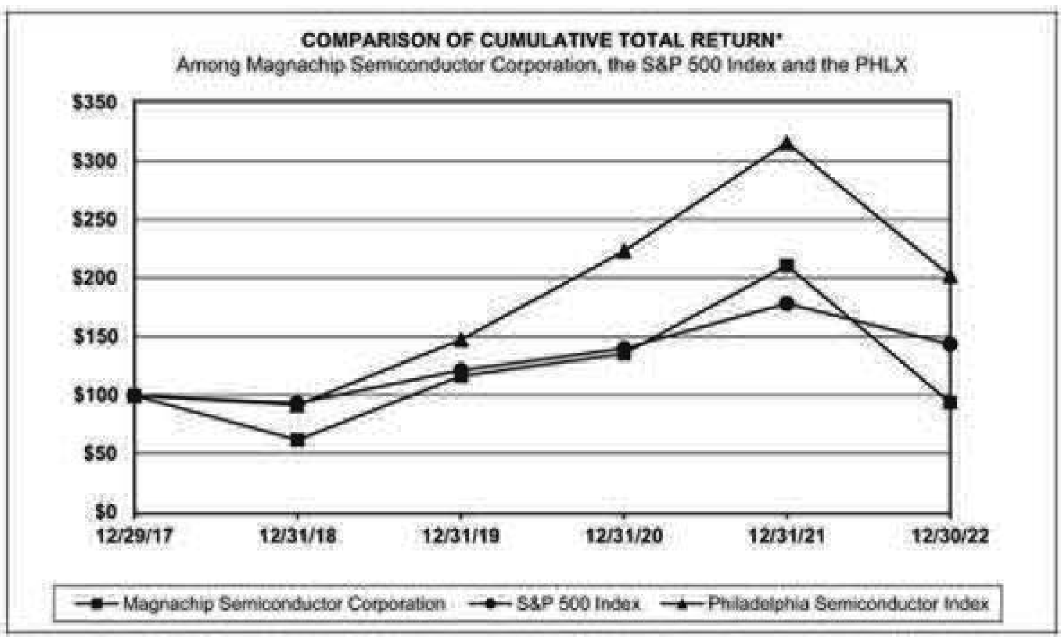
Our common stock is listed on the New York Stock Exchange under the symbol "MX."

Stock Performance Graph

The graph and table below compare the cumulative total stockholder return of our common shares with the cumulative total return of the S&P 500 Index and the Philadelphia Semiconductor Index (PHLX) from December 29, 2017 (the last trading day before the beginning of our fifth preceding fiscal year) through December 30, 2022. The graph assumes that $100 was invested on December 29, 2017 in our common shares and in each index and that any dividends were reinvested. No cash dividends have been declared on our common shares during the five-year period ended December 30, 2022.

Comparison of Cumulative Total Return*

Among Magnachip Semiconductor Corporation, the S&P 500 Index and the PHLX



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* The stock performance included in this graph is not necessarily indicative of future stock performance.

Total Return to Stockholders (Including Reinvestment of Dividends)

Indexed Returns

Company/Index	Base Period 12/29/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/30/2022
Magnachip Semiconductor Corporation	100	62.41	116.68	135.88	210.75	94.37
S&P 500 Index	100	93.76	121.85	140.49	178.27	143.61
Philadelphia Semiconductor Index	100	92.19	147.61	223.10	314.93	202.08

Holders

The approximate number of record holders of our outstanding common stock as of February 10, 2023 was 70. This number does not include beneficial owners for whom shares are held by nominees in street name.

Stock-Based Compensation

For information on securities authorized for issuance under our equity compensation plans, see Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Dividends

We have not historically paid any cash dividends on our common stock. Our Board of Directors continuously evaluates our capital allocation strategy and liquidity targets, but has not currently implemented any dividend or distribution policy. Any determination to pay dividends in the future will be at the discretion of our Board of Directors.

Issuer Purchases of Equity Securities

The following table shows the monthly activity related to our repurchases of common stock for the quarter ended December 31, 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands)(1)
October 2022	403,823	$10.24	403,823	$42,625
November 2022	314,041	$ 9.65	314,041	$39,195
December 2022	193,143	$ 8.83	193,143	$37,489
Total	911,007	$ 9.74	911,007	$37,489

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

See "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13. Stockholders' Equity and Stock-Based Compensation" in this Report for a description of the Accelerated Stock Repurchase Program.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements, together in each case with 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.

The following section generally discusses our financial condition and results of operations for our fiscal year ended December 31, 2022 ("fiscal year 2022") compared to our fiscal year ended December 31, 2021 ("fiscal year 2021"). A discussion regarding our financial condition and results of operations for fiscal year 2021 compared to our fiscal year ended December 31, 2020 ("fiscal year 2020") can be found in Part II, Item 7 of our Annual Report on Form 10-K for fiscal year 2021, filed with the Securities and Exchange Commission (the "SEC") on February 23, 2022.

Overview

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

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

Our Display Solutions line of products provide flat panel display solutions to major suppliers of large and small flat panel displays. These products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in mobile communications, automotives, entertainment devices, IT applications such as monitors, notebook PCs, tablet PC and TVs applied with liquid crystal display (LCD), organic light emitting diodes (OLED) and Micro light emitting diode (Micro LED) panel. Since 2007, we have designed and manufactured OLED display driver integrated circuit (IC) products. Our current portfolio of OLED solutions address a wide range of resolutions ranging from HD (High Definition) to UHD (Ultra High Definition) for a wide range of applications including smartphones, TVs, automotive and IT applications such as monitors, notebook PCs, tablet PCs as well as AR/VRs.

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

Our wide variety of analog and mixed-signal semiconductor products combined with our mature technology platform allow us to address multiple high-growth end markets and rapidly develop and introduce new products and services in response to market demands. Our design center and substantial manufacturing operation in Korea place us at the core of the global electronics device supply chain. We believe this enables us to quickly and efficiently respond to our customers' needs, and allows us to better serve and capture additional demand from existing and new customers. Certain of our OLED products are produced using external 12-inch foundries. Through a strategic cooperation with external 12-inch foundries, we are managing to ensure outsourcing wafers at competitive price and produce quality products.

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

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

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

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

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

Our standard products business requires investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. Many of these processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment for those products, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. In addition, we are less likely to experience significant industry overcapacity, which can cause product prices to decline significantly. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. In addition, we outsource manufacturing of those products which do require advanced technology and 12-inch and 8-inch wafer capacity, such as organic light emitting diodes (OLED). We believe this balanced capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

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

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

Recent Developments

Expanded Stock Repurchase Program

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

From September 2022 to December 2022, we repurchased 1,235,650 shares of our common stock in the open market for an aggregate purchase price of $12.5 million and a price per share of $10.13 under the stock repurchase program.

Global Semiconductor Industry Trends

Increases in demand for semiconductor products resulted in a global shortage of manufacturing capacity over the prior two years. As a result, we may experience increased costs to manufacture our products and may not be able to manufacture and deliver all of the orders placed by our customers. Specifically, if we are unable to secure manufacturing capacity from the external foundries we rely on, our ability to deliver products to our customers may be negatively impacted. Also, shortage of manufacturing capacity may lead to an increase in our manufacturing costs. Our principal pricing strategy is to pass on the increased manufacturing costs to our customers; however, we may not be fully able to do this in all cases. Total revenues for the years ended December 31, 2022 and 2021 were severely impacted by these persisting supply shortages, in particular for 28nm 12-inch OLED wafers, which impacted design-in projects from our large panel customer in Korea that are typically given 9 to 12 months in advance.

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

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

COVID-19 Pandemic

In December 2019, a strain of coronavirus causing a disease known as COVID-19 surfaced in Wuhan, China, resulting in significant disruptions among Chinese manufacturing and other facilities and travel throughout

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

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

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

Developments in Export Control Regulations

On October 7, 2022, the Bureau of Industry and Security of the U.S. Department of Commerce published changes to U.S. export control regulations (U.S. Export Regulations), including new restrictions on Chinese entities' ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. Further, on October 12, 2022, a new rule went into effect requiring U.S. persons to obtain a license prior to engaging in certain activities that could "support" certain end-uses and end-users, including those related to weapons of mass destruction. Additionally, on October 21, 2022, the Bureau of Industry and Security brought into effect a series of new Foreign Direct Product (FDP) rules and various new controls on advanced computing items, significantly expanding the scope of items that are subject to export control under the U.S. Export Regulations. Based on our understanding of the current U.S. Export Regulations and related rules, we do not anticipate that they will have a material impact on our business. Additional changes to the U.S. Export Regulations are expected, but the scope or timing of such changes is unknown. We will continue to monitor such developments, including potential additional trade restrictions, and other regulatory or policy changes by the U.S. and foreign governments.

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

Adjusted EBITDA, Adjusted Operating Income and Adjusted Net Income

We use the terms Adjusted EBITDA, Adjusted Operating Income and Adjusted Net Income (including on a per share basis) in this Report. Adjusted EBITDA, as we define it, is a non-U.S. GAAP measure. We define Adjusted EBITDA for the periods indicated as EBITDA (as defined below), adjusted to exclude (i) equity-based compensation expense, (ii) foreign currency loss, net, (iii) derivative valuation gain, net, (iv) inventory reserve related to Huawei impact of downstream trade restrictions, (v) merger-related income, net and (vi) other charges, net. EBITDA for the periods indicated is defined as net income (loss) before interest income, interest expense, income tax expense, and depreciation and amortization.

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

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

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

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

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

	Year Ended December 31, 2022	**Year Ended December 31, 2021**
	(Dollars in millions)	
Net income (loss)	$ (8.0)	$ 56.7
Interest income	(6.0)	(2.6)
Interest expense	1.2	1.4
Income tax expense	5.2	17.3
Depreciation and amortization	15.0	14.2
EBITDA	$ 7.3	$ 87.0
Adjustments:		
Equity-based compensation expense[(a)]	6.0	7.7
Foreign currency loss, net[(b)]	3.0	11.9
Derivative valuation gain, net[(c)]	(0.1)	(0.1)
Inventory reserve related to Huawei impact of downstream trade restrictions[(d)]	—	(1.5)
Merger-related income, net[(e)]	—	(35.5)
Other charges, net[(f)]	3.3	1.3
Adjusted EBITDA	$19.5	$ 70.7

(a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.

(b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.

(c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

(d) For the year ended December 31, 2021, this adjustment eliminates the impact of sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as these reserved inventories were subsequently sold to certain other customers. As this charge and the timing of its reversal meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this charge and related reversal are excluded.

(e) For the year ended December 31, 2021, this adjustment eliminates $70.2 million income from the recognition of a reverse termination fee as a result of the termination of the merger transaction, which was offset in part by a $34.7 million of professional service fees and expenses incurred in connection with the contemplated merger transaction that was terminated in December 2021. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

(f) For the year ended December 31, 2022, this adjustment eliminates $2.8 million of one-time employee incentives and professional service fees and expenses of $1.0 million incurred in connection with certain strategic evaluations, which was offset in part by a $0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the year ended December 31, 2021, this adjustment eliminates $3.4 million non-recurring professional service fees and expenses incurred in connection with the regulatory requests, which was offset in part by $1.4 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi, and $0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the third quarter of 2021. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

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

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

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

We present Adjusted Operating Income as supplemental measures of our performance. We prepare Adjusted Operating Income by adjusting operating income (loss) to eliminate the impact of equity-based compensation expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Operating Income is useful to investors to provide a supplemental way to understand our underlying operating performance and allows investors to monitor and understand changes in our ability to generate income from ongoing business operations.

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

Operating Income for the periods indicated as operating income adjusted to exclude (i) equity-based compensation expense, (ii) inventory reserve related to Huawei impact of downstream trade restrictions, (iii) merger-related income, net and (iv) other charges, net.

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
	(Dollars in millions)	
Operating income (loss)	$(5.2)	$ 83.4
Adjustments:		
Equity-based compensation expense[(a)]	6.0	7.7
Inventory reserve related to Huawei impact of downstream trade restrictions[(b)]	—	(1.5)
Merger-related income, net[(c)]	—	(35.5)
Other charges, net[(d)]	3.3	2.0
Adjusted Operating Income	$ 4.1	$ 56.1

(a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.

(b) For the year ended December 31, 2021, this adjustment eliminates the impact of sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as these reserved inventories were subsequently sold to certain other customers. As this charge and the timing of its reversal meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this charge and related reversal are excluded.

(c) For the year ended December 31, 2021, this adjustment eliminates $70.2 million income from the recognition of a reverse termination fee as a result of the termination of the merger transaction, which was offset in part by a $34.7 million of professional service fees and expenses incurred in connection with the contemplated merger transaction that was terminated in December 2021. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

(d) For the year ended December 31, 2022, this adjustment eliminates $2.8 million of one-time employee incentives and professional service fees and expenses of $1.0 million incurred in connection with certain strategic evaluations, which was offset in part by a $0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the year ended December 31, 2021, this adjustment eliminates $3.4 million non-recurring professional service fees and expenses incurred in connection with the regulatory requests, which was offset in part by $1.4 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

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

- we use Adjusted Net Income (including on a per share basis) in communications with our Board of Directors concerning our consolidated financial performance without the impact of non-cash expenses and the other items as we discussed below since we believe that it is a more consistent measure of our core operating results from period to period; and

- we believe that reporting Adjusted Net Income (including on a per share basis) is useful to readers in evaluating our core operating results because it eliminates the effects of non-cash expenses as well as the other items we discuss below, such as foreign currency gains and losses, which are out of our control and can vary significantly from period to period.

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

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

	Year Ended December 31, 2022	Year Ended December 31, 2021[h]
	(Dollars in millions, except per share data)	
Net income (loss)	$ (8.0)	$ 56.7
Adjustments:		
Equity-based compensation expense[a]	6.0	7.7
Foreign currency loss, net[b]	3.0	11.9
Derivative valuation gain, net[c]	(0.1)	(0.1)
Inventory reserve related to Huawei impact of downstream trade restrictions[d]	—	(1.5)
Merger-related income, net[e]	—	(35.5)
Other charges, net[f]	3.3	1.3
Income tax effect on non-GAAP adjustments[g]	4.6	9.7
Adjusted Net Income[h]	$ 8.8	$ 50.2
Reported earnings (loss) per share—basic	$ (0.18)	$ 1.26
Reported earnings (loss) per share—diluted	$ (0.18)	$ 1.21
Weighted average number of shares—basic	44,850,791	44,879,412
Weighted average number of shares—diluted	44,850,791	47,709,373
Adjusted earnings per share—basic	$ 0.20	$ 1.12
Adjusted earnings per share—diluted	$ 0.19	$ 1.07
Weighted average number of shares—basic	44,850,791	44,879,412
Weighted average number of shares—diluted	45,795,559	47,709,373

(a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.

(b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.

(c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.

(d) For the year ended December 31, 2021, this adjustment eliminates the impact of sales of inventories for which excess and obsolete reserves were previously recognized in relation to the U.S. Government's export restrictions on Huawei, which is a downstream customer of some of our direct customers, as these reserved inventories were subsequently sold to certain other customers. As this charge and the timing of its reversal meaningfully impacted our operational results and are not expected to represent an ongoing operating expense subject to our ability to foresee and control, we believe our operating performance results are more meaningfully compared if this charge and related reversal are excluded.

(e) For the year ended December 31, 2021, this adjustment eliminates $70.2 million income from the recognition of a reverse termination fee as a result of the termination of the merger transaction, which was offset in part by a $34.7 million of professional service fees and expenses incurred in connection with the contemplated merger transaction that was terminated in December 2021. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

(f) For the year ended December 31, 2022, this adjustment eliminates $2.8 million of one-time employee incentives and professional service fees and expenses of $1.0 million incurred in connection with certain strategic evaluations, which was offset in part by a $0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the year ended December 31, 2021, this adjustment eliminates $3.4 million non-recurring professional service fees and expenses incurred in connection with the regulatory requests, which was offset in part by $1.4 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi, and $0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the third quarter of 2021. As these adjustments meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if these adjustments are excluded.

(g) For the years ended December 31, 2022 and 2021, income tax effect on non-GAAP adjustments were calculated by calculating the tax expense of each jurisdiction with or without the non-GAAP adjustments. For the year ended December 31, 2022, income tax effect on non-GAAP adjustments related to our Korean subsidiary and the U.S parent entity were $6.2 million and negative $1.7 million, respectively. For the year ended December 31, 2021, income tax effect on non-GAAP adjustments related to our Korean subsidiary and the U.S parent entity were $2.8 million and $6.9 million, respectively.

(h) The adjustment for GAAP and cash tax expense difference in connection with the release of valuation allowances will no longer be an adjustment included in this non-GAAP financial measure. The reconciliation for the year ended December 31, 2021 presented above has been recast to reflect the removal of this adjustment in accordance with Securities and Exchange Commission guidance.

We believe that all adjustments to income (loss) used to calculate Adjusted Net Income was applied consistently to the periods presented. Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

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

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

Factors Affecting Our Results of Operations

Net Sales. We derive substantially all of our sales (net of sales returns and allowances) from our standard products business. We outsource manufacturing of mobile OLED products to external 12-inch foundries. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales offices near concentrations of major customers. Our sales offices are located in Korea, Japan, Taiwan and Greater China. Our network of authorized agents and distributors is in the U.S., Europe and the Asia Pacific region.

We recognize revenue when a customer obtains control of the product, which is generally upon product shipment, delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the years ended December 31, 2022 and 2021, we sold products to 175 and 177 customers, respectively, and our net sales to our ten largest customers represented 69% and 80% of our net sales—standard products business, respectively.

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

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

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

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

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2022, approximately 97% of our employees were eligible for severance benefits.

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

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

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

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses of our display business are material and design-related costs for OLED display driver IC product development involving 28-nanometer or finer processes. The majority of research and development expenses of our power business are certain equipment, material and design-related costs for power discrete products and material and design-related costs for power IC products. Power IC uses standard BCD process technologies which can be sourced from multiple foundries.

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and cost of sales and greater than the majority of our operating expenses have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars converted from our non-U.S. revenues and expenses based on monthly average exchange rates, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the U.S. dollar as a substantial portion of non-cash translation gain or loss is associated with the intercompany long-term loans to our Korean subsidiary, which is denominated in U.S. dollars. As of December 31, 2022, the outstanding intercompany loan balance including accrued interest between our Korean subsidiary and our Dutch subsidiary was $311.0 million. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. Our Korean subsidiary enters into foreign currency zero cost collar contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. Obligations under these foreign currency zero cost collar contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These zero cost collar contracts may be terminated by a counterparty in a number of circumstances, including if our total cash and cash equivalents is less than $30.0 million at the end of a fiscal quarter unless a waiver is obtained from the counterparty. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations. See "Note 10. Derivative Financial Instruments" to our consolidated financial statements under "Item 8. Financial Statements and Supplementary Data" for additional information regarding our foreign exchange hedging activities.

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

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

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

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

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

Results of Operations

Comparison of Years Ended December 31, 2022 and 2021

The following table sets forth consolidated results of operations for the years ended December 31, 2022 and 2021:

	Year Ended December 31, 2022		Year Ended December 31, 2021		
	Amount	**% of Total revenues**	**Amount**	**% of Total revenues**	**Change Amount**
	(Dollars in millions)				
Revenues					
Net sales—standard products business	$301.9	89.4%	$433.1	91.3%	$(131.2)
Net sales—transitional Fab 3 foundry services	35.8	10.6	41.1	8.7	(5.4)
Total revenues	337.7	100.0	474.2	100.0	(136.6)
Cost of sales					
Cost of sales—standard products business	202.3	59.9	283.5	59.8	(81.2)
Cost of sales—transitional Fab 3 foundry services	34.0	10.1	37.2	7.8	(3.1)
Total cost of sales	236.4	70.0	320.7	67.6	(84.3)
Gross profit	101.3	30.0	153.5	32.4	(52.3)
Selling, general and administrative expenses	50.9	15.1	52.4	11.1	(1.6)
Research and development expenses	52.3	15.5	51.2	10.8	1.1
Merger-related income, net	—	—	(35.5)	(7.5)	35.5
Other charges, net	3.3	1.0	2.0	0.4	1.3
Operating income (loss)	(5.2)	(1.6)	83.4	17.6	(88.7)
Interest income	6.0	1.8	2.6	0.6	3.4
Interest expense	(1.2)	(0.3)	(1.4)	(0.3)	0.2
Foreign currency loss, net	(3.0)	(0.9)	(11.9)	(2.5)	8.8
Others, net	0.6	0.2	1.2	0.2	(0.6)
	2.4	0.7	(9.4)	(2.0)	11.8
Income (loss) before income tax expense	(2.9)	(0.9)	74.0	15.6	(76.8)
Income tax expense	5.2	1.5	17.3	3.6	(12.1)
Net income (loss)	$ (8.0)	(2.4)%	$ 56.7	12.0%	$ (64.7)

Results by business line

	Year Ended December 31, 2022		Year Ended December 31, 2021		
	Amount	% of Total revenues	Amount	% of Total revenues	Change Amount
	(Dollars in millions)				
Revenues					
Net sales—standard products business					
Display Solutions	71.4	21.2	205.3	43.3	(133.9)
Power Solutions	230.5	68.3	227.8	48.0	2.7
Total standard products business	301.9	89.4	433.1	91.3	(131.2)
Net sales—transitional Fab 3 foundry services	35.8	10.6	41.1	8.7	(5.4)
Total revenues	$337.7	100.0%	$474.2	100.0%	$(136.6)

	Year Ended December 31, 2022		Year Ended December 31, 2021		
	Amount	% of Net Sales	Amount	% of Net Sales	Change Amount
	(Dollars in millions)				
Gross Profit					
Gross profit—standard products business	99.5	33.0	149.6	34.5	(50.0)
Gross profit—transitional Fab 3 foundry services	1.7	4.8	3.9	9.6	(2.2)
Total gross profit	$101.3	30.0%	$153.5	32.4%	$(52.3)

Revenues

Total revenues were $337.7 million for the year ended December 31, 2022, a $136.6 million, or 28.8%, decrease compared to $474.2 million for the year ended December 31, 2021. This decrease was primarily due to a decrease in revenue related to our standard products business as described below.

The standard products business. Net sales from our standard products business were $301.9 million for the year ended December 31, 2022, a $131.2 million, or 30.3%, decrease compared to $433.1 million for the year ended December 31, 2021. Net sales from our Display Solutions business line was significantly decreased due primarily to a decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for our OLED TV display driver ICs and auto-LCD display driver ICs. The slight increase in net sales from our Power Solutions business line was attributable to a strong demand for power products such as high-end MOSFETs for computing and lighting solutions, and IGBTs mainly for solar inverters, which was offset in part by a lower demand for MOSFETs primarily for smartphones and e-bikes.

The transitional Fab 3 foundry services. Net sales from the transitional Fab 3 foundry services were $35.8 million and $41.1 million for the years ended December 31, 2022 and 2021, respectively.

Gross Profit

Total gross profit was $101.3 million for the year ended December 31, 2022 compared to $153.5 million for the year ended December 31, 2021, representing a $52.3 million, or 34.0%, decrease. Gross profit as a percentage of total revenues for the year ended December 31, 2022 decreased to 30.0% compared to 32.4% for the year ended December 31, 2021. The decrease in gross profit and gross profit as a percentage of net sales was primarily due to the decrease in gross profit and gross profit as a percentage of net sales from our standard products business as further described below.

The standard products business. Gross profit from our standard products business was $99.5 million for the year ended December 31, 2022, representing a $50.0 million, or 33.5%, decrease from $149.6 million for the year ended December 31, 2021. The decrease in gross profit was primarily attributable to a significant decrease in net sales from our Display Solutions business line as explained above. Gross profit as a percentage of net sales for the year ended December 31, 2022 decreased to 33.0% compared to 34.5% for the year ended

December 31, 2021. The decrease in gross profit as a percentage of net sales was primarily attributable to certain inventory reserves and scrap cost related to 12-inch display products resulted from lower demand for China smartphones.

Net Sales—Standard Products Business by Geographic Region

We report net sales—standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the years ended December 31, 2022 and 2021:

	Year Ended December 31, 2022		Year Ended December 31, 2021		
	Amount	% of Net Sales – standard products business	Amount	% of Net Sales – standard products business	Change Amount
	(Dollars in millions)				
Korea	$105.3	34.9%	$113.8	26.3%	$ (8.5)
Asia Pacific (other than Korea)	179.6	59.5	306.3	70.7	(126.8)
United States	10.4	3.4	6.1	1.4	4.3
Europe	6.7	2.2	5.7	1.3	1.0
Others	—	—	1.2	0.3	(1.2)
	$301.9	100.0%	$433.1	100.0%	$(131.2)

Net sales—standard products business in Korea for the year ended December 31, 2022 decreased from $113.8 million to $105.3 million compared to the year ended December 31, 2021, or by $8.5 million, or 7.5%, primarily due to weaker demand for power products such as MOSFETs, including high-end MOSFETs, primarily for TVs and smartphone applications, which was offset in part by an increase in revenue from our mobile OLED display driver ICs in the first half of 2022 and OLED TV display driver ICs.

Net sales—standard products business in the Asia Pacific for the year ended December 31, 2022 decreased from $306.3 million to $179.6 million compared to the year ended December 31, 2021, or by $126.8 million, or 41.4%, primarily due to a significant decrease in revenue from our mobile OLED display driver ICs stemming from a lower customer demand resulting from a slowdown in the Chinese smartphone market, and a lack of secured manufacturing capacity (in particular for 28nm 12-inch OLED wafers) at external 12-inch foundries, which was offset in part by a higher demand for power products such as high-end MOSFETs, primarily for computing, and IGBTs mainly for solar inverters. The increased demand for our auto-LCD display driver ICs also favorably affected this year.

Net sales—standard products business in the U.S. for the year ended December 31, 2022 increased from $6.1 million to $10.4 million compared to the year ended December 31, 2021, or by $4.3 million, or 71.3%, primarily due to a change in billing location of a global customer who offers lighting solutions combined with the increase of high-end MOSFET design wins with the customer.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $50.9 million, or 15.1% of total revenues for the year ended December 31, 2022, compared to $52.4 million, or 11.1% of total revenues for the year ended December 31, 2021. The decrease of $1.6 million, or 3.0%, was primarily attributable to a net decrease in estimated employee compensation reflecting the current year's financial performance, and a decrease in running royalties recognized based on the sale of certain mobile OLED display driver ICs.

Research and Development Expenses. Research and development expenses were $52.3 million, or 15.5% of total revenues for the year ended December 31, 2022, compared to $51.2 million, or 10.8%, of total revenues for the year ended December 31, 2021. The increase of $1.1 million, or 2.2%, was primarily attributable to an increase in outside service fees, including those for software design tools.

Merger-related Income, Net. For the year ended December 31, 2021, we recorded a $70.2 million income from the recognition of a reverse termination fee as a result of the termination of the merger transaction, which was offset in part by a $34.7 million of professional service fees and expenses incurred in connection with the contemplated merger transaction that was terminated in December 2021.

Other Charges, Net. For the year ended December 31, 2022, we recorded a $2.8 million of one-time employee incentives and professional service fees and expenses of $1.0 million incurred in connection with certain strategic evaluations, which was offset in part by a $0.5 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi. For the year ended December 31, 2021, we recorded a $3.4 million of non-recurring professional service fees and expenses incurred in connection with the regulatory requests, which was offset in part by a $1.4 million gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi.

Operating Income (Loss)

As a result of the foregoing, operating loss of $5.2 million was recorded for the year ended December 31, 2022 compared to operating income of $83.4 million the year ended December 31, 2021. The decrease in operating income of $88.7 million resulted primarily from a $52.3 million decrease in gross profit and a $35.5 million net decrease in merger-related income.

Other Income (Expense)

Interest Income. Interest income was $6.0 million and $2.6 million for the years ended December 31, 2022 and December 31, 2021, respectively. The increase of $3.4 million, or 129.2%, was primarily attributable to an increase in interest income on cash and cash equivalents held by our Korean subsidiary, which benefited from the favorable financial market environment.

Interest Expense. Interest expense was $1.2 million and $1.4 million for the years ended December 31, 2022 and December 31, 2021, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the year ended December 31, 2022 was $3.0 million compared to net foreign currency loss of $11.9 million for the year ended December 31, 2021. The net foreign currency losses for the years ended December 31, 2022 and 2021 were due to the depreciation in the value of the Korean won relative to the U.S. dollar during each period.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with the intercompany long-term loans to our Korean subsidiary, which is denominated in U.S. dollars, and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of December 31, 2022 and 2021, the outstanding intercompany loan balance including accrued interest between our Korean subsidiary and our Dutch subsidiary was $311.0 million and $344.4 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

Others, Net. Others were comprised of rental income and gains and losses from valuation of derivatives which were designated as hedging instruments. Others, net for the years ended December 31, 2022 and 2021 was $0.6 million and $1.2 million, respectively. Others, net for the year ended December 31, 2021, included a $0.7 million legal settlement gain related to certain expenses incurred in prior periods in connection with our legacy Fab 4 (which was sold during the year ended December 31, 2020) and awarded in the third quarter of 2021.

Income Tax Expense

We are subject to income taxes in the U.S. and many foreign jurisdictions and our effective tax rate is affected by changes in the mix of earnings between countries with differing tax rates.

We recorded a $5.2 million income tax expense for the year ended December 31, 2022, which is primarily composed of income tax expense from our Korean subsidiary due mainly to its realized foreign currency gains resulting in taxable income for the year, and this expense was partially offset by income tax benefit from our Dutch subsidiary. The Dutch subsidiary's tax benefit was mainly attributable to the reversal of withholding tax with respect to the waiver of the accrued interest on the loans granted to our Korean subsidiary by our Dutch subsidiary.

We recorded a $17.3 million income tax expense for the year ended December 31, 2021, which was primarily composed of the income tax expense of $6.9 million from our Korean subsidiary, primarily due to its taxable income for the year, and the income tax expense of $8.2 million from the parent entity in the U.S. The U.S. parent's tax expense was mainly attributable to the recognition of income and expenses related to the Merger combined with the utilization of its available net operating loss carry-forwards.

Net Income (Loss)

As a result of the foregoing, net loss of $8.0 million was recorded for the year ended December 31, 2022 compared to net income of $56.7 million for the year ended December 31, 2021. As discussed above, the $64.7 million decrease in net income was primarily attributable to an $88.7 million decrease in operating income, which was offset in part by a $12.1 million decrease in income tax expense, an $8.8 million improvement in net foreign currency loss and a $3.4 million increase in interest income.

Liquidity and Capital Resources

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

Our principal sources of liquidity are our cash, cash equivalents, 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. As of December 31, 2022, we did not have any accounts payable on extended terms or payment deferment with our vendors.

As of June 29, 2018, our Korean subsidiary entered into an arrangement whereby it (i) acquired a water treatment facility from SK hynix for $4.2 million to support our fabrication facility in Gumi, Korea, and (ii) subsequently sold the water treatment facility for $4.2 million to a third party management company that we engaged to run the facility for a 10-year term beginning July 1, 2018. As of December 31, 2022, the outstanding obligation of this arrangement is approximately $24.8 million for remaining service term through 2028.

As of December 31, 2022, cash and cash equivalents held by our Korean subsidiary were $207.9 million, which represents 92% of our total cash and cash equivalents on a consolidated basis. We currently believe that we will have sufficient cash reserves from cash on hand and expected cash from operations to fund our operations as well as capital expenditures for the next twelve months and the foreseeable future.

Year ended December 31, 2022 compared to year ended December 31, 2021

As of December 31, 2022, our cash and cash equivalents balance was $225.5 million, a $54.1 million decrease compared to $279.5 million as of December 31, 2021.

Cash inflow provided by operating activities totaled $5.2 million for the year ended December 31, 2022, compared to $87.7 million of cash inflow provided by operating activities for the year ended December 31, 2021.

The net operating cash inflow for the year ended December 31, 2022 reflects our net loss of $8.0 million, as adjusted favorably by $57.6 million, which mainly consisted of depreciation and amortization, provision for severance benefits, net foreign currency loss and stock-based compensation, and net unfavorable impact of $44.4 million from changes of operating assets and liabilities.

Our working capital balance as of December 31, 2022 was $290.6 million compared to $323.6 million as of December 31, 2021. The $33.0 million decrease was primarily attributable to a $54.1 million decrease in cash and cash equivalents and a $18.0 million decrease in other receivables mainly resulted from receipt of reverse termination fee, which was offset in part by a $19.6 million decrease in accounts payable, a $10.4 million decrease in accrued expenses and a $4.9 million increase in advance payments to certain suppliers, including external foundries to meet our planned production.

Cash outflow used in investing activities totaled $24.9 million for the year ended December 31, 2022, compared to a $31.4 million of cash outflow used in investing activities for the year ended December 31, 2021.

The $6.5 million decrease in cash outflow was attributable to an $8.8 million decrease in purchase of property, plant and equipment, which was offset in part by a $1.9 million net increase in hedge collateral and a $0.9 million decrease in proceeds from disposal of property, plant and equipment.

Cash outflow used in financing activities totaled $12.7 million for the year ended December 31, 2022, compared to $35.5 million of cash outflow used in financing activities for the year ended December 31, 2021. The financing cash outflow for the year ended December 31, 2022 was primarily attributable to a payment of $12.1 million for the repurchases of our common stock in 2022 pursuant to our stock repurchase program and a payment of $1.8 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units, which was offset in part by $1.8 million of proceeds received from the issuance of common stock in connection with the exercise of stock options. The financing cash outflow for the year ended December 31, 2021 was primarily attributable to a payment of $37.5 million for accelerated stock repurchase program and a payment of $1.7 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units, which was offset in part by $4.3 million of proceeds received from the issuance of common stock in connection with the exercise of stock options.

We routinely make capital expenditures for fabrication facility maintenance, enhancement of our existing facility and reinforcement of our global research and development capability. For the year ended December 31, 2022, capital expenditures for property, plant and equipment were $23.4 million, an $8.8 million, or 27.4%, decrease from $32.2 million for the year ended December 31, 2021. The capital expenditures for the years ended December 31, 2022 and 2021 were related to meeting our customer demand and supporting technology and facility improvement at our fabrication facility.

Critical Accounting Policies and Estimates

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

We believe that the accounting policies discussed below 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.

Inventories

Inventories are stated at the lower of cost or net realizable value, using 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. We evaluate the sufficiency of inventory reserves and take into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product age and other factors. Reserves are also established for excess inventory based on our current inventory levels and projected demand and our ability to sell those specific products. Situations that could cause these inventory reserves include a decline in business and economic conditions, decline in consumer confidence caused by changes in market conditions, sudden and significant decline in demand for our products, inventory obsolescence because of rapidly changing technology and consumer requirements, or failure to estimate end customer demand properly. A reduction of these inventory reserves may be recorded if previously reserved items are subsequently sold as a result of unexpected changes to certain aforementioned situations.

The gross amount of inventory reserves charged to cost of sales totaled $13.3 million and $7.6 million in the fiscal years ended December 31, 2022 and 2021, respectively. The new cost base related to the sale of inventory that was previously written down totaled $3.6 million and $5.3 million in the fiscal years ended December 31, 2022 and 2021, respectively.

As prescribed in ASC 330, ‘‘Inventory,’’ once a reserve is established for a particular item based on our assessment as described above, it is maintained until the related item is sold or scrapped as a new cost basis has been established that cannot subsequently be marked up. In addition, 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.

Income Taxes

We are subject to income taxes in the U.S. and foreign jurisdictions. Significant judgments and estimates are required in evaluating our uncertain tax positions and determining our provision for income taxes.

We make an ongoing assessment of our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences, expiration of tax credits and net operating loss carry-forwards and tax planning strategies. Then, if necessary, we record valuation allowances against our deferred tax assets in order for the net amount of deferred tax assets to be recorded only to the extent that we conclude that it is more likely than not that our net deferred tax assets will be realized. We will continue to evaluate the ability to realize our net deferred tax assets on an ongoing basis to identify whether any significant changes in circumstances or assumptions have occurred that could materially affect the ability to realize deferred tax assets.

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.

Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provisions for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

Recent Accounting Pronouncements

See Note 1 ‘‘Business, Basis of Presentation and Summary of Significant Accounting Policies’’ in the Notes to the Consolidated Financial Statements in Item 8 of Part II of this Report, for a full description of recent accounting pronouncements, including the expected dates of adoption, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at December 31, 2022 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of $0.7 million in our U.S. dollar financial instruments and cash balances.

See ‘‘Note 10. Derivative Financial Instruments’’ to our consolidated financial statements under ‘‘Item 8. Financial Statements and Supplementary Data’’ and ‘‘Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Impact of Foreign Currency Exchange Rates on Reported Results of Operations’’ for additional information regarding our foreign exchange hedging activities.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Magnachip Semiconductor Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Magnachip Semiconductor Corporation and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Realizability of Deferred Tax Assets

As described in Notes 1 and 16 to the consolidated financial statements, the Company has net deferred tax assets of $38.3 million, including a valuation allowance of $84.6 million, as of December 31, 2022. Management determines deferred tax assets and liabilities based upon the difference between the financial statement carrying amounts and the tax basis 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. The evaluation of the recoverability of the deferred tax asset and the need for a valuation allowance requires management to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including historical operating results, expected timing of the reversals of existing temporary differences, the Company's ability to generate future taxable income, and tax planning strategies.

The principal considerations for our determination that performing procedures relating to the realizability of deferred tax assets is a critical audit matter are (i) the significant judgment by management when assessing the available positive and negative evidence surrounding the realizability of deferred tax assets, including the application of tax law to the projected tax calculation and a high degree of estimation uncertainty relative to the estimates of future taxable income, (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's estimates of future taxable income, (iii) auditor judgment in assessing management's application of tax law to the projected tax calculation, and (iv) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the realizability of deferred tax assets. These procedures also included, among others, (i) evaluating the appropriateness of management's calculation used, (ii) testing the completeness, accuracy and relevance of the underlying data used in the calculation, and (iii) evaluating the reasonableness of significant assumptions used in the calculation of future taxable income. Evaluating management's assumptions related to estimates of future taxable income involved evaluating whether the assumptions used were reasonable considering (i) current and past profitability, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating management's assumptions and calculation for assessing the realizability of deferred tax assets, including the mechanics and application of tax law to the projected tax calculation.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
February 22, 2023

We have served as the Company's auditor since 2004.

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021
	(In thousands of U.S. dollars, except share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 225,477	$ 279,547
Accounts receivable, net	35,380	50,954
Inventories, net	39,883	39,370
Other receivables (Note 18)	7,847	25,895
Prepaid expenses	10,560	7,675
Hedge collateral (Note 10)	2,940	3,060
Other current assets (Note 1)	15,766	2,619
Total current assets	337,853	409,120
Property, plant and equipment, net	110,747	107,882
Operating lease right-of-use assets	5,265	4,275
Intangible assets, net	1,930	2,377
Long-term prepaid expenses	10,939	8,243
Deferred income taxes (Note 16)	38,324	41,095
Other non-current assets	11,587	10,662
Total assets	$ 516,645	$ 583,654
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 17,998	$ 37,593
Other accounts payable	9,702	6,289
Accrued expenses (Note 9)	9,688	20,071
Accrued income taxes	3,154	11,823
Operating lease liabilities	1,397	2,323
Other current liabilities	5,306	7,382
Total current liabilities	47,245	85,481
Accrued severance benefits, net	23,121	33,064
Non-current operating lease liabilities	4,091	1,952
Other non-current liabilities	14,035	10,395
Total liabilities	88,492	130,892
Commitments and contingencies (Note 19)		
Stockholders' equity		
Common stock, $0.01 par value, 150,000,000 shares authorized, 56,432,449 shares issued and 43,824,575 outstanding at December 31, 2022 and 55,905,320 shares issued and 45,659,304 outstanding at December 31, 2021	564	559
Additional paid-in capital	266,058	241,197
Retained earnings	335,506	343,542
Treasury stock, 12,607,874 shares at December 31, 2022 and 10,246,016 shares at December 31, 2021, respectively	(161,422)	(130,306)
Accumulated other comprehensive loss	(12,553)	(2,230)
Total stockholders' equity	428,153	452,762
Total liabilities and stockholders' equity	$ 516,645	$ 583,654

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2022	2021	2020
	(In thousands of U.S. dollars, except share data)		
Revenues:			
Net sales—standard products business	$ 301,896	$ 433,099	$ 465,519
Net sales—transitional Fab 3 foundry services	35,762	41,131	41,540
Total revenues	337,658	474,230	507,059
Cost of sales:			
Cost of sales—standard products business	202,347	283,503	338,420
Cost of sales—transitional Fab 3 foundry services	34,047	37,184	40,322
Total cost of sales	236,394	320,687	378,742
Gross profit	101,264	153,543	128,317
Operating expenses:			
Selling, general and administrative expenses	50,872	52,440	49,974
Research and development expenses	52,338	51,212	45,698
Merger-related costs (income), net	—	(35,527)	653
Early termination and other charges, net	3,298	2,011	4,976
Total operating expenses	106,508	70,136	101,301
Operating income (loss):	(5,244)	83,407	27,016
Interest income	5,980	2,609	2,740
Interest expense	(1,157)	(1,371)	(18,147)
Foreign currency loss, net	(3,019)	(11,853)	(382)
Loss on early extinguishment of borrowings	—	—	(766)
Other income, net	561	1,177	370
Income (loss) from continuing operations before income tax expense (benefit)	(2,879)	73,969	10,831
Income tax expense (benefit)	5,157	17,261	(46,228)
Income (loss) from continuing operations	(8,036)	56,708	57,059
Income from discontinued operations, net of tax	—	—	287,906
Net income (loss)	$ (8,036)	$ 56,708	$ 344,965
Basic earnings (loss) per common share—			
Continuing operations	$ (0.18)	$ 1.26	$ 1.62
Discontinued operations	—	—	8.18
Total	$ (0.18)	$ 1.26	$ 9.80
Diluted earnings (loss) per common share—			
Continuing operations	$ (0.18)	$ 1.21	$ 1.35
Discontinued operations	—	—	6.19
Total	$ (0.18)	$ 1.21	$ 7.54
Weighted average number of shares—			
Basic	44,850,791	44,879,412	35,213,525
Diluted	44,850,791	47,709,373	46,503,586

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

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

	Year Ended December 31,		
	2022	2021	2020
	(In thousands of U.S. dollars)		
Net income (loss)	$ (8,036)	$56,708	$344,965
Other comprehensive income (loss)			
Foreign currency translation adjustments	(10,558)	(2,839)	6,274
Derivative adjustments			
Fair valuation of derivatives	(8,279)	(3,913)	1,452
Reclassification adjustment for loss (gain) on derivatives included in net income (loss)	8,514	819	(1,363)
Total other comprehensive income (loss)	(10,323)	(5,933)	6,363
Total comprehensive income (loss)	$(18,359)	$50,775	$351,328

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands of U.S. dollars, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2019	34,800,312	$439	$152,404	$ (58,131)	$(107,033)	$ (2,660)	$ (14,981)
Stock-based compensation	—	—	6,699	—	—	—	6,699
Exercise of stock options	510,648	5	3,913	—	—	—	3,918
Settlement of restricted stock units	581,215	6	(6)	—	—	—	—
Acquisition of treasury stock	(108,828)	—	—	—	(1,364)	—	(1,364)
Other comprehensive income, net	—	—	—	—	—	6,363	6,363
Net income	—	—	—	344,965	—	—	344,965
Balance at December 31, 2020	35,783,347	$450	$163,010	$286,834	$(108,397)	$ 3,703	$345,600
Stock-based compensation	—	—	7,704	—	—	—	7,704
Exchange of exchangeable senior note	10,144,131	101	83,639	—	—	—	83,740
Exercise of stock options	336,870	3	4,276	—	—	—	4,279
Settlement of restricted stock units	480,465	5	(5)	—	—	—	—
Accelerated stock repurchase	(994,695)	—	(17,427)	—	(20,073)	—	(37,500)
Acquisition of treasury stock	(90,814)	—	—	—	(1,836)	—	(1,836)
Other comprehensive loss, net	—	—	—	—	—	(5,933)	(5,933)
Net income	—	—	—	56,708	—	—	56,708
Balance at December 31, 2021	45,659,304	$559	$241,197	$343,542	$(130,306)	$ (2,230)	$452,762
Stock-based compensation	—	—	6,037	—	—	—	6,037
Exercise of stock options	152,326	1	1,785	—	—	—	1,786
Settlement of restricted stock units	374,803	4	(178)	—	—	—	(174)
Accelerated stock repurchase	(1,031,576)	—	17,217	—	(17,217)	—	—
Acquisition of treasury stock	(1,330,282)	—	—	—	(13,899)	—	(13,899)
Other comprehensive loss, net	—	—	—	—	—	(10,323)	(10,323)
Net loss	—	—	—	(8,036)	—	—	(8,036)
Balance at December 31, 2022	43,824,575	$564	$266,058	$335,506	$(161,422)	$(12,553)	$428,153

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
	(In thousands of U.S. dollars)		
Cash flows from operating activities			
Net income (loss)	$ (8,036)	$ 56,708	$ 344,965
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	15,000	14,239	16,481
Provision for severance benefits	6,289	8,282	16,743
Amortization of debt issuance costs and original issue discount	—	261	2,220
Loss (gain) on foreign currency, net	19,729	32,432	(23,233)
Provision for inventory reserves	9,574	2,244	3,695
Stock-based compensation	6,037	7,704	6,699
Loss on early extinguishment of borrowings	—	—	766
Gain on sale of discontinued operations	—	—	(287,117)
Deferred income tax assets	278	918	(44,441)
Other, net	664	(613)	217
Changes in operating assets and liabilities			
Accounts receivable, net	10,276	7,505	(19,268)
Unbilled accounts receivable, net	—	—	14,260
Inventories	(12,626)	(5,939)	(816)
Other receivables	18,146	(21,538)	6,954
Other current assets	(4,150)	12,397	13,561
Accounts payable	(16,325)	(11,437)	4,907
Other accounts payable	(9,410)	(7,798)	(12,000)
Accrued expenses	(7,228)	4,637	(26,201)
Accrued income taxes	(8,400)	(1)	10,825
Deferred revenue	(1,261)	(131)	2,174
Other current liabilities	(645)	1,445	279
Other non-current liabilities	749	(1,398)	3,521
Contributions to severance insurance deposit accounts	(7,899)	(5,688)	(11,921)
Payment of severance benefits	(6,012)	(6,679)	(12,076)
Other, net	415	193	(3,724)
Net cash provided by operating activities	5,165	87,743	7,470
Cash flows from investing activities			
Proceeds from settlement of hedge collateral	15,232	5,214	13,762
Payment of hedge collateral	(15,282)	(3,349)	(8,839)
Proceeds from disposal of property, plant and equipment	550	1,446	65
Purchase of property, plant and equipment	(23,394)	(32,212)	(36,100)
Payment for intellectual property registration	(390)	(614)	(741)
Collection of guarantee deposits	—	3,192	1,024
Payment of guarantee deposits	(2,381)	(5,001)	(1,236)
Proceeds from sale of discontinued operations	—	—	350,553
Other, net	737	(114)	(6)
Net cash provided by (used in) investing activities	(24,928)	(31,438)	318,482

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

	Year Ended December 31,		
	2022	2021	2020
	(In thousands of U.S. dollars)		
Cash flows from financing activities			
Repayment of borrowings	—	—	(224,250)
Proceeds from exercise of stock options	1,786	4,279	3,918
Acquisition of treasury stock	(13,960)	(1,653)	(1,125)
Acquisition of stock under accelerated stock repurchase agreement	—	(20,073)	—
Payment under accelerated stock repurchase agreement	—	(17,427)	—
Repayment of financing related to water treatment facility arrangement	(500)	(563)	(546)
Others	(70)	(107)	(278)
Net cash used in financing activities	(12,744)	(35,544)	(222,281)
Effect of exchange rates on cash and cash equivalents	(21,563)	(21,154)	24,612
Net increase (decrease) in cash and cash equivalents	(54,070)	(393)	128,283
Cash and cash equivalents at beginning of period	279,547	279,940	151,657
Cash and cash equivalents at end of period	$225,477	$279,547	$ 279,940
Supplemental cash flow information			
Cash paid for interest	$ —	$ 2,094	$ 22,221
Cash paid for income taxes	$ 18,988	$ 12,672	$ 23,056
Non-cash investing and financing activities			
Property, plant and equipment additions in other accounts payable	$ 190	$ 747	$ —
Acquisition of treasury stock to satisfy the tax withholding obligations in connection with equity-based compensation	$ 387	$ 826	$ 643
Unsettled common stock repurchases	$ 378	$ —	$ —
Exchange of exchangeable senior notes into common stock	$ —	$ 83,740	$ —

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

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Magnachip Semiconductor Corporation (together with its subsidiaries, the "Company") is a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communications, Internet of Things ("IoT") applications, consumer, computing, industrial and automotive applications.

On September 1, 2020 (the "Closing Date"), the Company completed the sale of the Company's Foundry Services Group business and its fabrication facility located in Cheongju, Korea, known as "Fab 4" to Key Foundry Co., Ltd. (the "Buyer"), a Korean corporation, in exchange for a purchase price equal to approximately $350.6 million in cash, pursuant to the terms of a business transfer agreement (the "Business Transfer Agreement") dated March 31, 2020 by and among the Company and Magnus Semiconductor, LLC, a Korean limited liability company ("Magnus"). The purchase price was paid in a combination of U.S. Dollars in the amount of $46.5 million and Korean Won in the amount of approximately KRW 360.6 billion. In addition to the purchase price, the Buyer assumed all severance liabilities relating to the transferred employees, which had a value of approximately $100 million. The Buyer is a wholly owned subsidiary of Magnus, which was established by Alchemist Capital Partners Korea Co., Ltd. and Credian Partners, Inc. On April 20, 2020, Magnus assigned, and the Buyer assumed, all rights and obligations of Magnus under the Business Transfer Agreement. This divestiture of the Foundry Services Group business and Fab 4 was made in connection with the Company's strategic shift of its operational focus to its standard products business. The Foundry Services Group was historically a reportable segment. The Foundry Services Group business was classified as discontinued operations in the Company's consolidated statements of operations and excluded from both continuing operations and segment results for the 2020 fiscal year. Accordingly, the Company has one reportable segment, its standard products business, together with transitional foundry services associated with its fabrication facility located in Gumi, Korea, known as "Fab 3," that it expects to perform for the Buyer for a period of up to three years from the Closing Date (the "Transitional Fab 3 Foundry Services").

The Company's standard products business includes its Display Solutions and Power Solutions business lines. The Company's Display Solutions products provide panel display solutions to major suppliers of large and small rigid and flexible panel displays, and a wide range of applications including smartphones, TVs, automotive and IT applications such as monitors, notebook PCs, tablet PCs as well as AR/VRs. The Company's Power Solutions products include discrete and integrated circuit solutions for power management in communications, consumer, computing, servers, automotive, and industrial applications.

Basis of Presentation

The consolidated financial statements are presented in accordance with U.S. GAAP.

Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

The consolidated statement of cash flows for the 2020 fiscal year has not been adjusted to separately disclose cash flows related to discontinued operations, but the material items in the operating and investing activities of the cash flow relating to discontinued operations for the same period are disclosed in Note 2. Unless otherwise stated, information in these notes to consolidated financial statements relates to the Company's continuing operations and excludes the discontinued operations. See Note 2 "Discontinued Operations" for additional information.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company including its wholly-owned subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. Such estimates include the valuation of accounts receivable, inventories, stock-based compensation, property, plant and equipment, leases, other long-lived assets, long-term employee benefits, contingencies liabilities, estimated future cash flows and other assumptions used in long-lived asset impairment tests, and calculation of current and deferred income taxes and deferred tax valuation allowances, among others. Although these estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be significantly different from the estimates. The Company assessed the impact of COVID-19 on the estimates and assumptions to the extent applicable, and determined that there was no material impact on the Company's consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020. However, the Company is not able to predict with certainty the future impact of COVID-19 on its estimates and assumptions due to the rapidly changing nature of the COVID-19 pandemic.

Discontinued Operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results when the business is sold and classified as held for sale, in accordance with the criteria of Accounting Standards Codification (''ASC'') 205, ''Presentation of Financial Statements'' (''ASC 205'') and ASC 360, ''Property, Plant and Equipment'' (''ASC 360''). The results of discontinued operations are reported in ''Income from discontinued operations, net of tax'' in the accompanying consolidated statements of operations for the year ended December 31, 2020 commencing in the period in which the business meets the criteria.

Foreign Currency Translation

The Company has assessed in accordance with ASC 830, ''Foreign Currency Matters'' (''ASC 830''), the functional currency of each of its subsidiaries in Luxembourg and the Netherlands and has designated the U.S. dollar to be their respective functional currencies. The Korean Won is the functional currency for the Company's Korean subsidiary, which is the primary operating subsidiary of the Company. The Company and its other subsidiaries are utilizing their local currencies as their functional currencies. The financial statements of the subsidiaries in functional currencies other than the U.S. dollar are translated into the U.S. dollar in accordance with ASC 830. All the assets and liabilities are translated to the U.S. dollar at the end-of-period exchange rates. Capital accounts are determined to be of a permanent nature and are therefore translated using historical exchange rates. Revenues and expenses are translated using average exchange rates for the respective periods. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated other comprehensive income or loss of stockholders' equity. Foreign currency translation gains or losses on transactions by the Company or its subsidiaries in a currency other than its or its subsidiaries' functional currency are included in foreign currency loss, net in its statements of operations.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less when purchased.

Accounts Receivable Reserves

The Company makes estimates of expected credit losses for the allowance for credit losses based upon its assessment of various factors, including historical collection experience, the age of the accounts receivable balances, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The Company also records an estimate for sales returns, included within accounts receivable, net, based on the historical experience of the amount of goods that will be returned and refunded or replaced.

(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Sales of Accounts Receivable

The Company accounts 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 the Company's accounts with any realized gain or loss reflected in earning during the period of sale.

Inventories

Inventories are stated at the lower of cost or net realizable value, using 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. The Company evaluates the sufficiency of inventory reserves and takes into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product age and other factors. Reserves are also established for excess inventory based on the Company's current inventory levels and projected demand and its ability to sell those specific products. Situations that could cause these inventory reserves include a decline in business and economic conditions, decline in consumer confidence caused by changes in market conditions, sudden and significant decline in demand for the Company's products, inventory obsolescence because of rapidly changing technology and consumer requirements, or failure to estimate end customer demand properly. A reduction of these inventory reserves may be recorded if previously reserved items are subsequently sold as a result of unexpected changes to certain aforementioned situations.

In addition, as prescribed in ASC 330, "Inventory," once a reserve is established for a particular item based on the Company's assessment as described above, it is maintained until the related item is sold or scrapped as a new cost basis has been established that cannot subsequently be marked up. In addition, the cost of inventories is determined based on the normal capacity of the Company's 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 exceeds those under normal capacity are charged to cost of sales rather than capitalized as inventories.

Advances to Suppliers

The Company, from time to time, may make advances in form of prepayments or deposits to suppliers, including external foundries, to meet its planned production. The Company recorded advances of $6,605 thousand and $1,708 thousand as other current assets as of December 31, 2022 and 2021, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

Buildings	30 - 40 years
Building related structures	10 - 20 years
Machinery and equipment	10 - 12 years
Others	3 - 10 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Impairment of Long-Lived Assets

The Company reviews 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.’’ 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.

Leases

The Company determines if an arrangement is a lease at inception of a contract considering whether the arrangement conveys the right to control the use of an identified asset over the period of use. Control of an underlying asset is conveyed if the Company has the right to direct the use of, and to obtain substantially all of the economic benefits from the use of, the identified asset. The Company accounts for lease transactions as either an operating or a finance lease, depending on the terms of the underlying lease arrangement. Assets related to operating leases are recorded on the balance sheet as operating lease right-of-use assets; the related liabilities are recorded as operating lease liabilities for the current portion and non-current operating lease liabilities for the non-current portion. Finance lease right-of-use assets are included in property, plant and equipment, net and the related lease liabilities are included in other current liabilities and other non-current liabilities on the consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As most of the Company's leases do not provide a readily determinable implicit rate, the Company estimates its incremental borrowing rates in determining the present value of future payments based on the lease term of each lease and market information available at commencement date. Finance lease right-of-use assets are amortized on a straight-line basis over the respective lease term with the interest expense on the lease liability recorded using the interest method. The amortization and interest expense are recorded separately in the consolidated statements of operations. Amortization of operating lease right-of-use assets and interest expense on operating lease liabilities are recognized on a straight-line basis over the respective lease term.

An extension or contraction of a lease term is considered if the related option to extend or early terminate the lease is reasonably certain to be exercised by the Company. Operating lease right-of-use assets may also include any advance lease payments made and exclude lease incentives and initial direct costs incurred. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, lease and non-lease components are accounted for as a single lease component.

Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates are not included in the right-of-use assets or liabilities. These variable lease payments are expensed as incurred.

The Company does not recognize operating lease right-of-use assets and operating lease liabilities that arise from short-term leases but rather recognizes fixed lease payments in the statements of operations on a straight-line basis and variable payments in the period in which the related obligations incur.

Intangible Assets

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.

Fair Value Disclosures of Financial Instruments

The Company follows ASC 820, ‘‘Fair Value Measurements and Disclosures’’ (‘‘ASC 820’’) for measurement and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

As defined by ASC 820, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, which was further clarified as the price that would be received to sell an asset or paid to transfer a liability ("an exit price") in an orderly transaction between market participants at the measurement date. The carrying amounts of the Company's financial assets and liabilities, such as cash equivalents, accounts receivable, other receivables, accounts payable and other accounts payable approximate their fair values because of the short maturity of these instruments.

Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company's Korean subsidiary, Magnachip Semiconductor, Ltd. Pursuant to 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 December 31, 2022, 97% of all employees of the Company were eligible for severance benefits.

Beginning in July 2018, the Company began contributing to certain severance insurance deposit accounts a percentage of severance benefits, which may be adjusted from time to time, accrued for eligible employees for their services beginning January 1, 2018 pursuant to Employee Retirement Benefit Security Act of Korea. These accounts consist of time deposits and other guaranteed principal and interest accounts, and are maintained at insurance companies, banks or security companies for the benefit of the Company's employees.

Accrued severance benefits were partly funded through a group severance insurance plan. The amounts funded under this insurance plan were classified as a reduction of the accrued severance benefits.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits was deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is paid to employees from the National Pension Fund upon their retirement.

Revenue Recognition

The Company recognizes revenue when it satisfies the performance obligation of transferring control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer, which consideration is paid in exchange for a product or service.

The Company sells products manufactured based on the Company's design. The Company's products are either standardized with an alternative use or the Company does not have an enforceable right to payment for the related manufacturing services completed to date. Therefore, revenue for the products is recognized when a customer obtains control of the product, which is generally upon product shipment, delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement.

In accordance with revenue recognition guidance, any tax assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction, and that is collected by the Company from a customer, is excluded from revenue and related revenue is presented in the statements of operations on a net basis.

The Company provides warranties under which customers can return defective products. The Company estimates the costs related to warranty claims and repair or replacements, and records them as components of cost of sales.

In addition, the Company offers sales returns (other than those that relate to defective products under warranty), cash discounts for early payments and sales incentives, and certain allowances to the Company's customers, including the Company's distributors. The Company records reserves for those returns, discounts, incentives and allowances as a deduction from sales, based on historical experience and other quantitative and qualitative factors.

Substantially all of the Company's contracts are one year or less in duration. The standard payment terms with customers are generally thirty to sixty days from the time of shipment, product delivery to the customer's location or customer acceptance, depending on the terms of the related arrangement.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling, general and administrative expenses. The amounts charged to selling, general and administrative expenses were $1,060 thousand, $1,271 thousand and $993 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

Of the recorded deferred revenue of $2,383 thousand as of December 31, 2021 and $2,680 thousand as of December 31, 2020, $2,383 thousand and $2,680 thousand were recognized as revenue during the years ended December 31, 2022 and 2021, respectively.

Advertising

The Company expenses advertising costs as incurred. Advertising expenses were $46 thousand, $71 thousand and $87 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

Product Warranties

The Company records, in other current liabilities, warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. The standard limited warranty period is one to two years for the majority of products. This warranty covers defective products, and related liabilities are accrued when product revenues are recognized. Factors that affect the Company's warranty liabilities include historical and anticipated rates of warranty claims and repair or replacement costs per claim to satisfy the Company's warranty obligation. The Company periodically assesses the adequacy of those recorded warranty liabilities and adjusts its estimates when necessary.

Derivative Financial Instruments

The Company applies the provisions of ASC 815, "Derivatives and Hedging" ("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, the Company 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 the Company determines 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. The Company assesses hedge effectiveness at the end of each quarter. The Company does not offset derivative assets and liabilities within the consolidated balance sheets.

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 or loss and reclassified into earnings in the period in which the hedged item affects 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 or 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.

Research and Development

Research and development expenses are expensed as incurred and include wafers, masks, employee expenses, contractor fees, building costs, utilities and administrative expenses.

Licensed Patents and Technologies

The Company has entered into a number of royalty agreements to license patents and technology used in the design of its products. The Company carries two types of royalties: lump-sum and running basis. Lump-sum royalties, which require initial payments, usually paid in installments, represent a non-refundable commitment, such that the total present value of these payments is recorded as a prepaid expense and a liability upon execution of the agreements and the costs are amortized over the contract period using the straight-line method and charged to research and development expenses in the consolidated statements of operations.

Running royalties are paid based on the revenue of related products sold by the Company.

Stock-Based Compensation

The Company follows the provisions of ASC 718, ‘‘Compensation-Stock Compensation’’ (‘‘ASC 718’’). Under ASC 718, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense, net of the estimated forfeiture rate, over the requisite service period. As permitted under ASC 718, the Company elected to recognize compensation expense for all options with graded vesting based on the graded attribution method.

The Company uses the Black-Scholes option-pricing model to measure the grant-date-fair-value of options. The Black-Scholes model requires certain assumptions to determine an option’s fair value, including expected term, risk free interest rate and expected volatility. The expected term of each option grant was based on employees’ expected exercises and post-vesting employment termination behavior and the risk free interest rate was based on the U.S. Treasury yield curve for the period corresponding with the expected term at the time of grant. No dividends were assumed for this calculation of option value.

Earnings (Loss) Per Share

In accordance with ASC 260, ‘‘Earnings Per Share’’, the Company computes basic earnings per share by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the dilution of potential common stock outstanding during the period including stock options and restricted stock units, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options and restricted stock units), and convertibles, using the if-converted method. In determining the hypothetical shares repurchased, the Company uses the average share price for the period. In the case that earnings are negative, any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

Income Taxes

The Company accounts 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 basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities. Valuation allowances are established when it is necessary to reduce deferred tax assets to the amount expected to be realized. The evaluation of the recoverability of the deferred tax assets and the need for a valuation allowance requires management to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax assets will not be realized. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including historical operating results, expected timing of the reversals of existing temporary differences, the Company's ability to generate future taxable income, and tax planning strategies.

The Company recognizes and measures uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step process. In the first step, recognition, the Company determines 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.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for customers on accounts receivable. The Company maintains reserves for potential credit losses, which are periodically reviewed.

Recently Adopted Accounting Pronouncements

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

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

2. Discontinued Operations

On September 1, 2020, the Company completed the sale of its Foundry Services Group business and Fab 4. As a result of the sale of the Foundry Services Group business and Fab 4, the Company recorded a gain of $287,117 thousand and all operations from the Foundry Services Group business and Fab 4 were classified as discontinued operations for all periods presented. Following the consummation of the sale, and for up to three years, the Company is expected to provide the Transitional Fab 3 Foundry Services at an agreed upon cost plus mark-up. For the periods prior to the Closing Date, revenue from providing the Transitional Fab 3 Foundry Services to the Foundry Services Group is recorded at cost on both of the continuing and discontinued businesses for comparative purposes. Cash inflows to the Company from the Buyer related to providing the Transitional Fab 3 Foundry Services were $41,115 thousand, $46,611 thousand and $7,643 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

The following table summarizes the results from discontinued operations, net of tax, for the year ended December 31, 2020.

	Year Ended December 31, 2020
	(In thousands of U.S. dollars)
Revenues:	
Net sales—Foundry Services Group	$254,732
Net sales—transitional Fab 3 foundry services	(25,887)
Total revenues	228,845
Cost of sales:	
Cost of sales—Foundry Services Group	182,872
Cost of sales—transitional Fab 3 foundry services	(25,887)
Total cost of sales	156,985
Gross profit	71,860
Operating expenses:	
Selling, general and administrative expenses	14,797
Research and development expenses	19,484
Restructuring and other charges	15,873
Total operating expenses	50,154
Operating income from discontinued operations	21,706
Foreign currency gain, net	1,277
Others, net	72
Income from discontinued operations before income tax expense	23,055
Income tax expense	11,452
Gain on sale of discontinued operations	287,117
Transaction costs	(10,814)
Income from discontinued operations, net of tax	287,906

For the year ended December 31, 2020, the Company recorded $15,873 thousand, in professional fees and transaction related expenses incurred in connection with the sale of the Foundry Services Group business and Fab 4, and recorded such costs as restructuring and other charges.

The following table provides supplemental cash flows information related to discontinued operations:

	Year Ended December 31, 2020
	(In thousands of U.S. dollars)
Significant non-cash operating activities:	
Depreciation and amortization	$ 5,365
Provision for severance benefits	8,209
Stock-based compensation	388
Investing activities:	
Capital expenditures	$(5,838)

3. Fair Value Measurements

ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 requires, among other things, the Company's valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments

As of December 31, 2022, the following table represents the Company's liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	Carrying Value December 31, 2022	Fair Value Measurement December 31, 2022	Quoted Prices in Active Markets for Identical Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:					
Derivative liabilities (other current liabilities)	$2,015	$2,015	—	$2,015	—

As of December 31, 2021, the following table represents the Company's liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	Carrying Value December 31, 2021	Fair Value Measurement December 31, 2021	Quoted Prices in Active Markets for Identical Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:					
Derivative liabilities (other current liabilities)	$2,020	$2,020	—	$2,020	—

Items not reflected in the table above include cash equivalents, accounts receivable, other receivables, accounts payable, and other accounts payable, fair value of which approximate carrying values due to the short-term nature of these instruments. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs.

Fair Values Measured on a Non-recurring Basis

The Company's non-financial assets, such as property, plant and equipment, and intangible assets are recorded at fair value upon acquisition and are remeasured at fair value only if an impairment charge is recognized. As of December 31, 2022 and 2021, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis.

4. Accounts Receivable

Accounts receivable as of December 31, 2022 and 2021 consisted of the following (in thousands):

	December 31,	
	2022	2021
Accounts receivable	$35,610	$50,363
Notes receivable	32	1,242
Less:		
Allowance for credit losses	(79)	(466)
Sales return reserves	(183)	(185)
Accounts receivable, net	$35,380	$50,954

Changes in allowance for credit losses for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Beginning balance	$(466)	$(188)	$ (49)
Provision	—	(302)	(131)
Write off	378	—	—
Translation adjustments	9	24	(8)
Ending balance	$ (79)	$(466)	$(188)

Changes in sales return reserves for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Beginning balance	$(185)	$(173)	$(387)
Reversal (provision)	(11)	(27)	22
Usage	—	—	196
Translation adjustments	13	15	(4)
Ending balance	$(183)	$(185)	$(173)

Commencing in March 2012, the Company has been a party to an agreement to sell selected trade accounts receivable to a financial institution from time to time. After a sale, the Company does not retain any interest in the receivables and the applicable financial institution collects these accounts receivable directly from the customer. There were no sale of accounts receivable for the years ended December 31, 2022, 2021 and 2020. 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. These discount arrangements allow the Company to accelerate collection of customers' receivables.

5. Inventories

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

	December 31, 2022	December 31, 2021
Finished goods	$ 6,799	$ 9,594
Semi-finished goods and work-in-process	40,265	25,968
Raw materials	7,460	9,443
Materials in-transit	36	95
Less: inventory reserve	(14,677)	(5,730)
Inventories, net	$ 39,883	$39,370

Changes in inventory reserve for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31, 2022	2021	2020
Beginning balance	$ (5,730)	$(5,901)	$(5,947)
Change in reserve			
Inventory reserve charged to costs of sales	(13,310)	(7,626)	(7,268)
Sale of previously reserved inventory	3,631	5,349	4,349
	(9,679)	(2,277)	(2,919)
Write off	582	1,875	2,679
Translation adjustments	150	573	(408)
Reclassified to assets held for sale	—	—	694
Ending balance	$(14,677)	$(5,730)	$(5,901)

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

6. Property, Plant and Equipment

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

	December 31, 2022	December 31, 2021
Buildings and related structures	$ 24,780	$ 24,273
Machinery and equipment	137,666	105,300
Finance lease right-of-use assets	389	316
Others	33,890	32,396
	196,725	162,285
Less: accumulated depreciation	(101,502)	(94,119)
Land	13,034	13,898
Construction in progress	2,490	25,818
Property, plant and equipment, net	$ 110,747	$107,882

Aggregate depreciation expenses totaled $14,317 thousand, $13,495 thousand and $10,448 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

7. Intangible Assets

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

	December 31, 2022		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	$9,111	$(7,181)	$1,930
Intangible assets	$9,111	$(7,181)	$1,930

	December 31, 2021		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	$9,312	$(6,935)	$2,377
Intangible assets	$9,312	$(6,935)	$2,377

Aggregate amortization expense for intangible assets totaled $683 thousand, $744 thousand and $668 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

The aggregate amortization expense of intangible assets for the next five years are estimated to be $595 thousand, $456 thousand, $339 thousand, $235 thousand and $148 thousand for the years ended December 31, 2023, 2024, 2025, 2026 and 2027, respectively.

8. Leases

The Company has operating and finance leases for buildings and other assets such as vehicles and office equipment. The Company's leases have remaining lease terms ranging from 1 year to 5 years.

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

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

		December 31,	
Leases	Classification	2022	2021
Assets			
Operating lease	Operating lease right-of-use assets	$5,265	$4,275
Finance lease	Property, plant and equipment, net	143	126
Total lease assets		$5,408	$4,401
Liabilities			
Current			
Operating	Operating lease liabilities	$1,397	$2,323
Finance	Other current liabilities	90	68
Non-current			
Operating	Non-current operating lease liabilities	4,091	1,952
Finance	Other non-current liabilities	63	73
Total lease liabilities		$5,641	$4,416

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

	December 31, 2022	December 31, 2021
Weighted average remaining lease term		
Operating leases	3.7 years	2.4 years
Finance leases	2.4 years	2.0 years
Weighted average discount rate		
Operating leases	6.6%	4.2%
Finance leases	7.6%	7.8%

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

	Year Ended December 31, 2022	2021	2020
Operating lease cost	$2,261	$2,777	$1,885
Finance lease cost			
Amortization of right-of-use assets	68	65	63
Interest on lease liabilities	10	14	18
Total lease cost	$2,339	$2,856	$1,966

The above table does not include an immaterial cost of short-term leases for the years ended December 31, 2022, 2021 and 2020.

Other lease information is as follows (in thousands):

	Year Ended December 31, 2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$2,276	$2,777	$1,885
Operating cash flows from finance leases	10	14	18
Financing cash flows from finance leases	70	65	76

Non-cash transaction amounts of lease liabilities arising from obtaining right-of-use assets were $4,601 thousand, $2,768 thousand and $4,702 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

The aggregate future lease payments for operating and finance leases as of December 31, 2022 are as follows (in thousands):

	Operating Leases	Finance Leases
2023	$1,707	$ 99
2024	1,594	28
2025	1,386	27
2026	958	14
2027	663	—
Total future lease payments	6,308	168
Less: Imputed interest	(820)	(15)
Present value of future payments	$5,488	$153

9. Accrued Expenses

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

	December 31, 2022	December 31, 2021
Payroll, benefits and related taxes, excluding severance benefits	$7,620	$ 9,548
Withholding tax attributable to intercompany interest income	43	1,950
Outside service fees	1,642	1,088
Merger-related costs	—	7,035
Others	383	450
Accrued expenses	$9,688	$20,071

10. 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 December 31, 2022 are as follows (in thousands):

Date of transaction	Type of derivative	Total notional amount	Month of settlement
January 04, 2022	Zero cost collar	$30,000	January 2023 to June 2023
March 07, 2022	Zero cost collar	$24,000	July 2023 to December 2023
April 27, 2022	Zero cost collar	$42,000	January 2023 to December 2023

Details of derivative contracts as of December 31, 2021 are as follows (in thousands):

Date of transaction	Type of derivative	Total notional amount	Month of settlement
May 13, 2021	Zero cost collar	$39,000	January 2022 to September 2022
August 13, 2021	Zero cost collar	$48,000	January 2022 to December 2022

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

The fair values of the Company's outstanding zero cost collar contracts recorded as liabilities as of December 31, 2022 and 2021 are as follows (in thousands):

Derivatives designated as hedging instruments:		December 31, 2022	December 31, 2021
Liability Derivatives:			
Zero cost collars	Other current liabilities	$2,015	$2,020

Offsetting of derivative liabilities as of December 31, 2022 is as follows (in thousands):

As of December 31, 2022	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	$2,015	$—	$2,015	$—	$(1,940)	$75

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

As of December 31, 2021	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		Net amount
				Financial instruments	Cash collateral pledged	
Liability Derivatives:						
Zero cost collars	$2,020	$—	$2,020	$—	$(2,060)	$(40)

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

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the years ended December 31, 2022 and 2021. (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCI on Derivatives		Location/Amount of Loss Reclassified from AOCI Into Statement of Operations			Location/Amount of Gain Recognized in Statement of Operations on Derivatives		
	2022	2021		2022	2021		2022	2021
Zero cost collars.	$(8,273)	$(4,665)	Net sales	$(8,514)	$(819)	Other income, net	$135	$123

As of December 31, 2022, the amount expected to be reclassified from accumulated other comprehensive loss into loss within the next twelve months is $1,225 thousand.

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

Counterparty	December 31, 2022	December 31, 2021
SC	$1,000	$1,000
Total.	$1,000	$1,000

The Company is required to deposit additional cash collateral with NFIK and SC for any exposure in excess of $500 thousand. As of December 31, 2022, $1,840 thousand and $100 thousand of additional cash collateral were required by NFIK and SC, respectively, and recorded as hedge collateral on the consolidated balance sheet. As of December 31, 2021, $760 thousand and $1,300 thousand of additional cash collateral were required by NFIK and SC, respectively, and recorded as hedge collateral on the consolidated balance sheet.

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

11. Borrowings

5.0% Exchangeable Senior Notes

On January 17, 2017, MagnaChip Semiconductor S.A. closed the Exchangeable Notes Offering of $86,250 thousand aggregate principal amount of 5.0% Exchangeable Notes. Interest on the Exchangeable Notes accrued at a rate of 5.0% per annum, payable semi-annually on March 1 and September 1 of each year, beginning on March 1, 2017. The Exchangeable Notes matured on March 1, 2021, unless they were earlier repurchased or converted. Holders had the right to convert their notes at their option at any time prior to the close of business on the business day immediately preceding the stated maturity date. Interest expense related to the Exchangeable Notes for the years ended December 31, 2021 and 2020 were $958 thousand and $5,708 thousand, respectively.

Prior to the March 1, 2021 maturity of the Exchangeable Notes, holders elected to exchange all outstanding Exchangeable Notes for an aggregate of 10,144,131 shares of the Company's common stock in satisfaction in full of the outstanding obligations under the Exchangeable Notes. Upon exchange, the Company delivered for each $1,000 principal amount of exchanged Exchangeable Notes a number of shares equal to the exchange rate of 121.1387 shares of common stock per $1,000 principal amount of Exchangeable Notes, which was equivalent to an exchange price of approximately $8.26 per share of common stock. In connection with the exchanges, the fractional shares were paid in cash. Following March 1, 2021, the Company does not have any Exchangeable Notes outstanding.

6.625% Senior Notes

On July 18, 2013, the Company issued a $225,000 thousand aggregate principal amount of the 2021 Notes at a price of 99.5%. Interest on the 2021 Notes accrued 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. Interest expense related to the 2021 Notes for the year ended December 31, 2020 was $11,926 thousand.

The Company completed the full redemption of the remaining outstanding 2021 Notes on October 2, 2020. The Company paid approximately $227,428 thousand to fully redeem all of the outstanding $224,250 thousand aggregate principal amount of the 2021 Notes at a redemption price equal to the sum of 100% of the principal amount of the 2021 Notes, plus accrued and unpaid interest thereon through, but excluding, the Redemption Date. In connection with the redemption of the 2021 Notes, the Company recorded a $766 thousand as loss on early extinguishment of borrowings related to the remaining unamortized debt discount and debt issuance costs.

12. Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company's Korean subsidiary. Pursuant to 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 December 31, 2022, 97% of all employees of the Company were eligible for severance benefits.

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

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 51,567	$ 54,452
Provisions	6,289	8,282
Severance payments	(6,012)	(6,679)
Translation adjustments	(3,348)	(4,488)
	48,496	51,567
Less: Cumulative contributions to severance insurance deposit accounts	(25,149)	(18,250)
The National Pension Fund	(41)	(53)
Group severance insurance plan	(185)	(200)
Accrued severance benefits, net	$ 23,121	$ 33,064

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

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

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

	Severance Benefit
2023	$ 618
2024	862
2025	1,431
2026	1,782
2027	1,622
2028 – 2032	19,305

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

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

13. Stockholders' Equity and Stock-Based Compensation

Stock Repurchases

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

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

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

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

On August 31, 2022, the Board of Directors has authorized an expansion of the Company's previously announced stock repurchase program from $75,000 thousand to $87,500 thousand of the Company's common stock. The remaining $50,000 thousand of the expanded $87,500 thousand program was planned to be repurchased in the open market or through privately negotiated transactions. In connection with the repurchase program, the Company has established a stock trading plan with Oppenheimer & Co. Inc. in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

From September 2022 to December 2022, the Company repurchased 1,235,650 shares of its common stock in the open market for an aggregate purchase price of $12,511 thousand and a price per share of $10.13 under the stock repurchase program.

Equity Incentive Plans

The Company adopted its 2009 Common Unit Plan, or the 2009 Plan, effective December 8, 2009, which is administered by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). The 2009 Plan terminated in connection with the Company's initial public offering in March 2011, and no additional options or other equity awards may be granted under the 2009 Plan. The Company adopted its 2011 Equity Incentive Plan, or the 2011 Plan, in March 2010. The Company amended and restated the 2011 Plan in February 2011, and the Company's stockholders approved the amendment in March 2011 to reflect that it became effective in 2011 in connection with the Company's initial public offering in March 2011. The 2011 Plan was amended on October 23, 2017, to revise the clawback policy of the 2011 Plan. The 2011 Plan was amended on April 26, 2018 to amend the tax withholding provisions as they relate to directed sales of shares. At the 2020 Annual Meeting of Stockholders, the Company's stockholders approved its 2020 Equity and Incentive Compensation Plan, or the 2020 Plan, which is administered by the Compensation Committee. Following the adoption of the 2020 Plan, no further awards may be issued under the 2011 Plan.

Awards may be granted under the 2020 Plan to the Company's employees, officers, directors, or certain consultants or those of any subsidiary of the Company. While the Company may grant incentive stock options only to employees, the Company may grant non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, dividend equivalents and cash-based awards or other stock-based awards to any eligible participant, subject to terms and conditions determined by the Compensation Committee. The term of any options granted under the 2020 Plan shall not exceed ten years from the date of grant. As of December 31, 2022 an aggregate maximum of 11,352,919 shares were authorized and 1,351,913 shares were reserved for all future grants.

Stock options and stock appreciation rights must have exercise prices at least equal to the fair market value of the stock at the time of their grant pursuant to the 2011 Plan and 2020 Plan. Stock options typically vest over one to three years following grant, subject to the participant's continued service through the applicable vesting dates. As of December 31, 2022, no stock options or stock appreciation rights had been granted under 2020 Plan.

Restricted stock units granted under the 2011 Plan and 2020 Plan represent a right to receive shares of the Company's common stock when the restricted stock unit vests. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares pursuant to a restricted stock unit, the consideration for which shall be services actually rendered to a participating company or for its benefit. Stock issued pursuant to any restricted stock unit may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the Compensation Committee and set forth in the award agreement evidencing such award.

Restricted stock units typically vest over one to three years following grant, subject to the participant's continued service through the applicable vesting dates.

Restricted stock constitutes an immediate transfer of the ownership of shares of the Company's common stock to the participant in consideration of the performance of services, entitling such participant to voting, dividend and other ownership rights, subject to the substantial risk of forfeiture and restrictions on transfer determined by the Compensation Committee for a period of time determined by the Compensation Committee or until certain management objectives specified by the Compensation Committee are achieved. Each grant of restricted stock may be made without additional consideration or in consideration of a payment by the participant that is less than the fair market value per share of common stock on the grant date. Stock issued pursuant to any restricted stock award may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the Compensation Committee and set forth in the award agreement evidencing such award. A grant of restricted stock may require that any and all dividends and distributions paid on restricted stock that remains subject to a substantial risk of forfeiture be automatically deferred and/or reinvested in additional restricted stock, which will be subject to the same restrictions as the underlying restricted stock, but any such dividends or other distributions on restricted stock must be deferred until, and paid contingent upon, the vesting of such restricted stock.

The following summarizes restricted stock unit activities for the year ended December 31, 2022.

	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value of Restricted Stock Units
Outstanding at December 31, 2021	833,961	$14.33
Granted	726,000	17.41
Vested	(374,803)	16.99
Forfeited	(369,751)	17.61
Outstanding at December 31, 2022	815,407	$14.36

Total compensation expenses recorded for the restricted stock units were $6,037 thousand, $7,704 thousand and $6,311 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, there was $4,036 thousand of total unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted average future period of 0.7 year. Total fair value of restricted stock units vested were $6,369 thousand, $5,788 thousand and $3,839 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

The following summarizes stock option activities for the year ended December 31, 2022. At the date of grant, all options had an exercise price not less than the fair value of common stock (aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price of Stock Options	Aggregate Intrinsic Value of Stock Options	Weighted Average Remaining Contractual Life of Stock Options
Outstanding at January 1, 2022	1,297,877	$10.78	$13,262	3.1 years
Expired	(7,993)	12.81	—	—
Exercised	(152,326)	11.73	$ 1,187	—
Outstanding at December 31, 2022	1,137,558	$10.64	$ 1,702	2.3 years
Vested and Exercisable at December 31, 2022	1,137,558	$10.64	$ 1,702	2.3 years

There were no compensation expenses recorded for the stock options for the years ended December 31, 2022, 2021 and 2020.

14. Early termination and other charges, net

For the year ended December 31, 2022, the Company recorded in its consolidated statement of operations $2,821 thousand of one-time employee incentives, and professional service fees and expenses of $1,014 thousand incurred in connection with certain strategic evaluations. During the same period, the Company also recorded $537 thousand gain on sale of certain legacy equipment of the closed back-end line in the Company's fabrication facility in Gumi (which was closed during the year ended December 31, 2018).

For the year ended December 31, 2021, the Company recorded in its consolidated statement of operations $3,430 thousand of non-recurring professional service fees and expenses incurred in connection with the regulatory requests, and recorded $1,419 thousand gain on sale of certain legacy equipment of the closed back-end line in the Company's fabrication facility in Gumi.

For the year ended December 31, 2020, the Company recorded in its consolidated statement of operations $4,422 thousand of early termination and other charges, net in connection with the headcount reduction program offered and paid to the employees during the fourth quarter of 2020. During the same period, the Company also recorded $554 thousand of non-recurring professional service fees and expenses incurred in connection with certain treasury and finance initiatives.

15. Foreign Currency Loss, Net

Net foreign currency gain or loss includes non-cash translation gain or loss associated with intercompany balances. A substantial portion of the Company's net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to the Company's Korean subsidiary. The loans are denominated in U.S. dollars and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of December 31, 2022, 2021 and 2020, the outstanding intercompany loan balances including accrued interest between the Korean subsidiary and the Dutch subsidiary were $310,988 thousand, $344,411 thousand and $378,852 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,267.3:1, 1,185.5:1 and 1,088.0:1 using the first base rate as of December 31, 2022, 2021 and 2020, respectively, as quoted by the KEB Hana Bank.

16. Income Taxes

The Company's income tax expense (benefit) is composed of domestic and foreign income taxes depending on the relevant tax jurisdictions. Domestic income (loss) from continuing operations before income tax expense (benefit) and income tax expense (benefit) are generated or incurred in the U.S, where the parent company resides.

The components of income tax expense (benefit) attributable to income (loss) from continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Income (loss) from continuing operations before income tax expense (benefit)			
Domestic	$(1,955)	$41,566	$(12,305)
Foreign	(924)	32,403	23,136
	(2,879)	73,969	10,831
Current income tax expense (benefit)			
Domestic	639	6,876	1
Foreign	4,297	9,415	(2,264)
Uncertain tax position liability (foreign)	(33)	(35)	(20)
	4,903	16,256	(2,283)
Deferred income tax expense (benefit)			
Domestic	(1,264)	1,314	(4,461)
Foreign	1,518	(309)	(39,484)
	254	1,005	(43,945)
Total income tax expense (benefit)	$ 5,157	$17,261	$(46,228)

The provision for domestic and foreign income taxes (benefit) incurred is different from the amount calculated by applying the statutory tax rates to the income (loss) from continuing operations before income tax expense (benefit). The significant items causing this difference are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Provision computed at statutory rates	$ (605)	$ 15,533	$ 2,274
State income taxes, net of federal effect	—	—	730
Change in statutory tax rates	2,006	(259)	5,735
Difference in foreign tax rates	302	2,820	1,077
Permanent differences			
Derivative assets adjustment	(62)	(23)	56
TPECs, hybrid and other interest	(2,096)	(3,400)	(2,722)
Thin capitalization	—	—	339
Equity-based compensation	(241)	(802)	(73)
Permanent foreign currency gain (loss)	1,676	1,888	(1,813)
Penalty	75	427	176
GILTI	8,187	6,156	24,224
Intercompany debt restructuring	8,061	971	11,137
Other permanent differences	72	(767)	1,335
Withholding tax	(2,031)	2,060	2,291
State net operating loss write off	—	9,844	—
Change in valuation allowance	(4,582)	(13,803)	(75,452)
Tax credits claimed	(5,658)	(5,508)	(12,397)
Uncertain tax positions liability	(33)	(35)	(20)
Change in net operating loss carry-forwards	(145)	621	(3,314)
Foreign local taxes	919	723	43
Others	(688)	815	146
Income tax expense (benefit)	$ 5,157	$ 17,261	$(46,228)

For the year ended December 31, 2022, a permanent difference of $8,187 thousand was included as Global intangible low-taxed income (“GILTI”) in the U.S., which was primarily attributable to the income earned by certain foreign subsidiaries of the Company, including its Korean subsidiary. The permanent tax expense of $8,061 thousand related to intercompany debt restructuring recorded for the year ended December 31, 2022 was derived from the waiver and release of unpaid interests of the intercompany loans granted to the Korean subsidiary by the Dutch subsidiary. In connection with the waiver of unpaid interests, the related withholding tax was reversed, resulting in the recognition of income tax benefit of $2,031 thousand.

The income tax benefit of $4,582 thousand was due to the changes in valuation allowances during the year ended December 31, 2022, of which $2,670 thousand related to the release of valuation allowances related to the U.S parent company’s current year earnings, which was mainly driven by GILTI inclusion. The remaining $1,912 thousand represented the release of valuation allowances based on the realizability of the related deferred tax assets in future years.

Of the income tax benefit of $13,803 thousand attributable to the change in valuation allowances during the year ended December 31, 2021, $9,844 thousand related to the release of the valuation allowance established against the deferred tax assets associated in the U.S. entity due to the dissolution of the Company’s domestic subsidiary in 2021 subsequent to the sale of the Foundry Services Group business and Fab 4. The offsetting expense of $9,844 thousand was included in the state net operating loss write-off in 2021, resulting in no income tax effect in the year. The Company's parent entity in the U.S. is no longer subject to state income taxes in 2022 and thereafter. The remaining $3,959 thousand represented the release of valuation allowances based on the assessment of the realizability of the related deferred tax assets in future tax years.

For the year ended December 31, 2020, a permanent difference of $24,224 thousand was included as GILTI in the U.S., and was primarily attributable to the income earned by certain foreign subsidiaries of the Company, including its Korean subsidiary, from the sale of the Foundry Services Group business and Fab 4.

The income tax benefit of $75,452 thousand was due to the changes in valuation allowances during the year ended December 31, 2020, of which $31,578 thousand related to the release of valuation allowances related to the Company's current year earnings, which were mainly driven by GILTI inclusion at the U.S. parent company. The remaining $43,874 thousand represented the release of valuation allowances based on the realizability of the related deferred tax assets in future years. The Company's operating subsidiary in Korea had generated three years of cumulative profits adjusted for permanent differences and anticipated to generate taxable basis for the subsequent years. As a result, $39,413 thousand of valuation allowances, established against the Korean subsidiary's deferred tax assets, were released as of December 31, 2020.

Of the permanent tax expense of $11,137 thousand related to intercompany debt restructuring recorded for the year ended December 31, 2020, $11,890 thousand related to the waiver and release of unpaid interests of the intercompany loans granted to the Korean subsidiary by the Dutch subsidiary. This transaction created taxable income for the Korean subsidiary, but did not result in a liability because of the utilization of loss carryforwards, which were used against income from cancellation of intercompany loans.

A summary of the composition of net deferred income tax assets (liabilities) as of December 31, 2022 and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Deferred tax assets		
Inventory reserves	$ 3,108	$ 1,313
Accrued expenses	1,668	3,084
Property, plant and equipment	2,685	3,119
Accumulated severance benefits	10,269	11,842
Operating lease right-of-use liabilities	1,098	899
Foreign currency translation loss	22,272	17,280
NOL carry-forwards	78,698	87,636
Tax credit carry-forwards	13,337	14,164
Other long-term payable	4,005	2,457
Interest expense deduction limitation	91	4,731
Derivative liabilities	427	463
Others	1,394	1,610
Total deferred tax assets	139,052	148,598
Less: Valuation allowance	(84,563)	(94,212)
	54,489	54,386
Deferred tax liabilities		
Prepaid expense	3,065	2,300
Severance benefit deposits	5,364	4,227
Operating lease right-of-use assets	1,051	899
Foreign currency translation gain	5,621	5,139
Others	1,064	726
Total deferred tax liabilities	16,165	13,291
Net deferred tax assets	$ 38,324	$ 41,095

The Company has not recognized a deferred tax liability related to outside basis differences inherent in its foreign subsidiaries because the investments in those foreign subsidiaries within the group are essentially permanent in duration or earnings in foreign subsidiaries are intended to be indefinitely reinvested. It is not practicable to estimate the amount of deferred income taxes not recorded that are associated with those outside basis differences. If circumstances change and it becomes apparent that the undistributed earnings from foreign subsidiaries will be remitted or the parent entity will dispose of its interest in the subsidiaries in the foreseeable future, and related income taxes have not been recognized by the parent entity, the parent entity will accrue as an expense of the current period income taxes attributable to that remittance or disposition.

Changes in valuation allowance for deferred tax assets of continuing operations and discontinued operations for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Beginning balance	$94,212	$115,636	$246,224
Reductions	(4,582)	(13,803)	(75,452)
Changes relating to the discontinued operations	—	—	(67,484)
NOL/tax credit claimed/expired	—	—	3,686
Translation adjustments	(5,067)	(7,621)	8,662
Ending balance	$84,563	$ 94,212	$115,636

As of December 31, 2022, 2021 and 2020, respectively, the Company recorded a valuation allowance of $84,563 thousand, $94,212 thousand and $115,636 thousand on its deferred tax assets related to temporary differences, net operating loss carry-forwards and tax credits of domestic and foreign subsidiaries.

The Company has recorded a full valuation allowance against certain foreign subsidiaries' deferred tax assets pertaining to its related tax loss carry-forwards that are not anticipated to generate a tax benefit. The valuation allowances at December 31, 2022, 2021 and 2020 were primarily attributable to its Luxembourg subsidiary.

The net operating loss carry-forwards balance as of December 31, 2022, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
NOL carry-forwards	$324,134	$502,511	$604,977

As of December 31, 2022, the Company had $324,134 thousand of net operating loss carry-forwards available to offset future taxable income, of which $271,753 thousand is associated with the Company's Luxembourg subsidiary, mainly attributable to certain expenses incurred in connection with its shareholding in the Company's Dutch subsidiary. Of the $271,753 thousand net operating loss carry-forwards, $263,506 thousand is carried forward indefinitely and the remaining $8,247 thousand expires from 2034 through 2039. The net operating loss carry-forwards retained by the Company's U.S. parent amounts to $50,522 thousand, which expires at various dates through 2037.

The Company utilized net operating loss of $19,900 thousand, $70,672 thousand and $169,600 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The Company also has Dutch tax credit carry-forwards of $13,337 thousand as of December 31, 2022. The Dutch tax credits are carried forward to be used for an indefinite period of time.

Uncertainty in Income Taxes

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

As of December 31, 2022, 2021 and 2020, the Company recorded $316 thousand, $386 thousand and $414 thousand of unrecognized tax benefits, respectively.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period is as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Unrecognized tax benefits, balance at the beginning	$386	$414	$445
Additions based on tax positions related to the current year	40	44	48
Reductions for tax positions of prior years	—	—	(34)
Lapse of statute of limitations	(73)	(79)	(76)
Translation adjustments	(37)	7	31
Unrecognized tax benefits, balance at the ending	$316	$386	$414

No interest and penalties related to unrecognized tax benefits were recognized as of December 31, 2022, 2021 and 2020.

The Company is currently unaware of any uncertain tax positions that could result in significant additional payments, accruals, or other material deviations from this estimate over the next 12 months.

The IRA

On August 16, 2022, the IRA was signed into law, which imposes a 15% alternative minimum tax on the adjusted financial statement income of large corporations with average annual financial income exceeding $1 billion and a 1% excise tax on net stock repurchases by publicly traded U.S. corporations for tax years beginning after December 31, 2022. The IRA did not have any impact on the Company's income tax for the year ended December 31, 2022 and the Company will continue to evaluate the impact this might have in future periods.

17. Geographic and Other Information

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

	Year Ended December 31,		
	2022	2021	2020
Revenues			
Standard products business			
Display Solutions	$ 71,432	$205,322	$299,057
Power Solutions	230,464	227,777	166,462
Total standard products business	301,896	433,099	465,519
Transitional Fab 3 foundry services	35,762	41,131	41,540
Total revenues	$337,658	$474,230	$507,059
Gross Profit			
Standard products business	$ 99,549	$149,596	$127,099
Transitional Fab 3 foundry services	1,715	3,947	1,218
Total gross profit	$101,264	$153,543	$128,317

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

	Year Ended December 31,		
	2022	2021	2020
Korea	$105,285	$113,776	$106,415
Asia Pacific (other than Korea)	179,555	306,333	347,597
United States	10,369	6,052	5,147
Europe	6,687	5,698	4,317
Others	—	1,240	2,043
Total	$301,896	$433,099	$465,519

For the years ended December 31, 2022, 2021 and 2020, of the Company's net sales—standard products business in Asia Pacific (other than Korea), net sales—standard products business in Greater China (China and Hong Kong) represented 68.5%, 65.8% and 82.0%, respectively, and net sales—standard products business in Vietnam represented 13.6%, 26.4% and 14.4%, respectively.

Net sales from the Company's top ten largest customers in the standard products business (which does not include the Transitional Fab 3 Foundry Services) accounted for 69%, 80% and 88% for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2022, the Company had two customers that represented 19.0% and 13.8% of its net sales—standard products business, and for the year ended December 31, 2021, the Company had two customers that represented 42.5% and 10.4% of its net sales—standard products business, and for the year ended December 31, 2020, the Company had one customer that represented 56.2% of its net sales—standard products business.

As of December 31, 2022, two customers of the Company's standard products business accounted for 25.1% and 15.2% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively. As of December 31, 2021, two customers of the Company's standard products business accounted for 30.3% and 15.5% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively.

99% of the Company's property, plant and equipment are located in Korea as of December 31, 2022.

18. Merger Agreement

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

The closing of the Merger was subject to certain conditions, including clearance by the Committee on Foreign Investment in the United States (''CFIUS'') under the Defense Production Act of 1950, as amended. The Company and Holdco were advised that CFIUS clearance of the Merger would not be forthcoming and received permission from CFIUS to withdraw their joint filing. In connection therewith, the Company and Holdco entered into a Termination and Settlement Agreement, dated December 13, 2021 (the ''Termination Agreement''), pursuant to which Holdco agreed to pay $70,200 thousand (the ''Termination Fee'') to the Company on the terms specified in the Termination Agreement in satisfaction of Holdco's obligation to pay a termination fee in connection with the termination of the Merger Agreement. On December 20, 2021, the Merger Agreement was terminated pursuant to the Termination Agreement after the Company's receipt of a fee of $51,000 thousand from Holdco and a standby letter of credit, which secures a deferred fee of $19,200 thousand from Holdco due on or before March 31, 2022. As of December 31, 2021, of the Termination Fee, $19,200 thousand deferred fee was recorded as other receivables. In connection therewith, the Company, Holdco and Wise Road entered into a First Amendment to the Termination Agreement, dated April 4, 2022, pursuant to which Holdco paid $14,400 thousand on April 4, 2022, with $4,800 thousand remaining outstanding. The Company, Holdco and Wise Road entered into a Second Amendment to the Termination Agreement, dated August 5, 2022 pursuant to which Holdco paid $3,000 thousand on August 5, 2022, of the deferred fee and payment of the remaining $1,800 thousand was due on or before October 31, 2022. The Company, Holdco and Wise Road entered into a Letter Agreement, dated October 28, 2022 pursuant to which the parties agreed to defer the remaining $1,800 thousand due on or before December 23, 2022. The Company, Holdco and Wise Road entered into an additional Letter Agreement, dated January 31, 2023 pursuant to which the parties agreed to defer the remaining $1,800 thousand due on or before February 28, 2023. As of December 31, 2022, the remaining fee of $1,800 thousand was recorded as other receivables. Other than in respect of this receivable, the Company has no further relationship with Holdco.

For the years ended December 31, 2021 and 2020, the Company incurred $34,673 thousand and $653 thousand, respectively, of professional fees and certain transaction related-expenses incurred in connection with the Merger, which were recognized in merger-related costs, net in the consolidated statements of operations.

19. Commitments and Contingencies

COVID-19 Pandemic

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

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

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

20. Accumulated Other Comprehensive Loss

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Foreign currency translation adjustments	$(11,328)	$ (770)
Derivative adjustments	(1,225)	(1,460)
Total	$(12,553)	$(2,230)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

Year Ended December 31, 2022	Foreign currency translation adjustments	Derivative adjustments	Total
Beginning balance	$ (770)	$(1,460)	$ (2,230)
Other comprehensive loss before reclassifications	(10,558)	(8,279)	(18,837)
Amounts reclassified from accumulated other comprehensive loss	—	8,514	8,514
Net current-period other comprehensive income (loss)	(10,558)	235	(10,323)
Ending balance	$(11,328)	$(1,225)	$(12,553)

Year Ended December 31, 2021	Foreign currency translation adjustments	Derivative adjustments	Total
Beginning balance	$ 2,069	$ 1,634	$ 3,703
Other comprehensive loss before reclassifications	(2,839)	(3,913)	(6,752)
Amounts reclassified from accumulated other comprehensive loss	—	819	819
Net current-period other comprehensive loss	(2,839)	(3,094)	(5,933)
Ending balance	$ (770)	$(1,460)	$(2,230)

Year Ended December 31, 2020	Foreign currency translation adjustments	Derivative adjustments	Total
Beginning balance	$(4,205)	$ 1,545	$(2,660)
Other comprehensive income before reclassifications	6,274	1,452	7,726
Amounts reclassified from accumulated other comprehensive income	—	(1,363)	(1,363)
Net current-period other comprehensive income	6,274	89	6,363
Ending balance	$ 2,069	$ 1,634	$ 3,703

There was an income tax expense of $6 thousand related to changes in accumulated other comprehensive loss for the year ended December 31, 2022. There was an income tax benefit of $752 thousand related to changes in accumulated other comprehensive loss for the year ended December 31, 2021. There was an income tax expense of $316 thousand related to changes in accumulated other comprehensive income for the year ended December 31, 2020.

21. Earnings (Loss) Per Share

The following table illustrates the computation of basic and diluted earnings (loss) per common share for the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands of U.S. dollars, except share data)		
Basic earnings (loss) per share			
Income (loss) from continuing operations	$ (8,036)	$ 56,708	$ 57,059
Income from discontinued operations, net of tax	—	—	287,906
Net income (loss)	$ (8,036)	$ 56,708	$ 344,965
Basic weighted average common stock outstanding	44,850,791	44,879,412	35,213,525
Basic earnings (loss) per common share			
Continuing operations	$ (0.18)	$ 1.26	$ 1.62
Discontinued operations	—	—	8.18
Total	$ (0.18)	$ 1.26	$ 9.80
Diluted earnings (loss) per share			
Income (loss) from continuing operations	$ (8,036)	$ 56,708	$ 57,059
Add back: Interest expense on Exchangeable Notes	—	959	5,708
Income (loss) from continuing operations allocated to common stockholders	$ (8,036)	$ 57,667	$ 62,767
Income from discontinued operations, net of tax	—	—	287,906
Net income (loss) allocated to common stockholders	$ (8,036)	$ 57,667	$ 350,673
Basic weighted average common stock outstanding	44,850,791	44,879,412	35,213,525
Net effect of dilutive equity awards	—	1,403,789	1,145,906
Net effect of assumed conversion of 5.0% Exchangeable Notes to common stock	—	1,426,172	10,144,155
Diluted weighted average common stock outstanding	44,850,791	47,709,373	46,503,586
Diluted earnings (loss) per common share			
Continuing operations	$ (0.18)	$ 1.21	$ 1.35
Discontinued operations	—	—	6.19
Total	$ (0.18)	$ 1.21	$ 7.54

Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the potentially dilutive impact of stock options. As the Company has reported loss for the year ended December 31, 2022, all potentially dilutive securities, including stock options, are antidilutive and accordingly not considered, therefore basic net loss per share equals diluted net loss per share.

(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

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

	Year Ended December 31,		
	2022	2021	2020
Options	1,137,558	50,000	651,417
Restricted Stock Units	815,407	—	—

Rights Plan

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

Management of the Company, with the participation of our Principal Executive Officer and our Principal Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, as of December 31, 2022. Based on this evaluation, our Principal Executive Officer and our Principal Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2022.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and our Principal Financial Officer, and effected by our Board, management and other personnel, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our Principal Executive Officer and our Principal Financial Officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, based on the criteria set forth in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by Samil PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Report.

(c) Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not Applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our executive officers is included in ''Item 1. Business—Executive Officers of the Company.'' The other information required by this item is incorporated by reference to our definitive proxy statement relating to our 2023 annual meeting of stockholders or will be included by amendment to this Report within 120 days after the end of the fiscal year to which this Report relates.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2023 annual meeting of stockholders or will be included by amendment to this Report within 120 days after the end of the fiscal year to which this Report relates.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2023 annual meeting of stockholders or will be included by amendment to this Report within 120 days after the end of the fiscal year to which this Report relates.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2023 annual meeting of stockholders or will be included by amendment to this Report within 120 days after the end of the fiscal year to which this Report relates.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2023 annual meeting of stockholders or will be included by amendment to this Report within 120 days after the end of the fiscal year to which this Report relates.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

The information required by this item is included in Item 8 of Part II of this Report.

2. Financial Statement Schedules

Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the information required by such omitted schedules is set forth in the financial statements or the notes thereto.

3. Exhibits

Exhibit No.	Exhibit Description
2.1	Business Transfer Agreement, dated as of March 31, 2020 among by and among Magnus Semiconductor, LLC, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor, Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 31, 2020)
2.2-1	Agreement and Plan of Merger, dated as of March 25, 2021, by and among South Dearborn Limited, Michigan Merger Sub, Inc., and Magnachip Semiconductor Corporation (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on March 29, 2021).
2.2-2	Letter Agreement, dated as of June 11, 2021, by and among Magnachip Semiconductor Corporation, South Dearborn Limited and Michigan Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on June 14, 2021).
2.2-3	Letter Agreement, dated as of August 23, 2021, by and among Magnachip Semiconductor Corporation, South Dearborn Limited and Michigan Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on August 23, 2021)
2.2-4	Termination and Settlement Agreement, dated December 13, 2021 by and between Magnachip Semiconductor Corporation and South Dearborn Limited (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K on December 13, 2021)
2.2-5	First Amendment to Termination and Settlement Agreement, dated as of April 4, 2022, by and between Magnachip Semiconductor Corporation, South Dearborn Limited and Wise Road Capital LTD. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 6, 2022).
2.2-6	Second Amendment to Termination and Settlement Agreement, dated as of August 5, 2022, by and between Magnachip Semiconductor Corporation, South Dearborn Limited and Wise Road Capital LTD. (incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
3.1	Certificate of Conversion of MagnaChip Semiconductor LLC (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 11, 2011).
3.2	Certificate of Incorporation of MagnaChip Semiconductor Corporation (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on March 11, 2011).
3.3	Certificate of Amendment to the Certificate of Incorporation of Magnachip Semiconductor Corporation (incorporated by reference to Exhibit 3.1 to our Current report on Form 8-K filed on December 30, 2020)

Exhibit No.	Exhibit Description
3.4	Amended and Restated Bylaws of MagnaChip Semiconductor Corporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 6, 2016).
3.5	Form of Plan of Conversion of MagnaChip Semiconductor LLC (incorporated by reference to Exhibit 3.6 to our Amendment No. 2 to Registration Statement on Form S-1 filed on May 11, 2010 (Registration No. 333-165467)).
3.6	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MagnaChip Semiconductor Corporation, as filed with the Secretary of the State of Delaware on March 6, 2015 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 6, 2015).
3.7	Certificate of Designation of Series A-1, Junior Participating Preferred Stock of Magnachip Semiconductor Corporation, as filed with the Secretary of State of Delaware on December 13, 2021.
4.1#	Description of Securities
10.1	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.2 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.2*	MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan (as amended on April 26, 2018) (incorporated by reference to Exhibit 10.24 to our Annual Report on Form 10-K filed on February 22, 2019).
10.3*	MagnaChip Semiconductor Corporation 2020 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 17, 2020).
10.4*	MagnaChip Semiconductor Corporation 2011 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.26 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.5*	MagnaChip Semiconductor Corporation Form of Indemnification Agreement with Directors and Officers (incorporated by reference to Exhibit 10.49 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.6*	Offer Letter, dated as of April 15, 2013, by and between MagnaChip Semiconductor, Ltd. (Korea) and Young-Joon Kim (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K filed on February 12, 2015).
10.6-1*	Amendment of Offer Letter, dated July 27, 2015, from MagnaChip Semiconductor, Ltd. (Korea) to Young-Joon Kim (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.6-2*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Young-Joon Kim (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 6, 2015).

Exhibit No.	Exhibit Description
10.6-3*	Employment Agreement, dated as of April 26, 2018, by and between MagnaChip Semiconductor Corporation and Young Joon Kim (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 27, 2018).
10.6-4*	Amendment to Employment Agreement by and between MagnaChip Semiconductor Corporation and Young Joon Kim, dated as of September 3, 2018 (incorporated by reference to Exhibit 10.29-4 to our Annual Report on Form 10-K filed on February 22, 2019).
10.7*	Offer Letter, dated as of September 27, 2013, by and between MagnaChip Semiconductor, Ltd. (Korea) and Theodore Kim (incorporated by reference to Exhibit 10.37 to our Annual Report on Form 10-K filed on February 12, 2015).
10.7-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Theodore S. Kim (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.7-2*	Employment Agreement, dated as of October 22, 2018, by and between MagnaChip Semiconductor Corporation and Theodore Kim (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 26, 2018).
10.8*	Offer Letter, dated as of October 16, 2013, by and between MagnaChip Semiconductor, Ltd. (Korea) and Woung Moo Lee (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K filed on February 22, 2016).
10.8-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Woung Moo Lee (incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.8-2*	Employment Agreement, dated as of October 22, 2018, by and between MagnaChip Semiconductor Corporation and Woung Moo Lee (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 26, 2018).
10.9*	Executive Service Agreement, dated as of June 1, 2020, by and between Chan Ho Park, MagnaChip Semiconductor Corporation and MagnaChip Semiconductor, Ltd. (incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed on August 7, 2020)
10.10*	Executive Service Agreement, effective as of February 23, 2022, by and between Shin Young Park, Magnachip Semiconductor Corporation and Magnachip Semiconductor, Ltd. (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed on February 23, 2022)
10.11*	MagnaChip Semiconductor LLC Profit Sharing Plan as adopted on December 31, 2009 and amended on February 15, 2010 (incorporated by reference to Exhibit 10.54 to our Quarterly Report on Form 10-Q filed on August 5, 2011).
10.12*	MagnaChip Semiconductor Corporation 2011 Form of Stock Option Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.55 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.13*	MagnaChip Semiconductor Corporation 2011 Form of Stock Option Agreement (Non-U.S. Participants) (incorporated by reference to Exhibit 10.56 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).

Exhibit No.	Exhibit Description
10.14*	MagnaChip Semiconductor Corporation 2011 Form of Restricted Stock Units Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.57 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.15*	MagnaChip Semiconductor Corporation 2011 Form of Restricted Stock Units Agreement (Non-U.S. Participants) (incorporated by reference to Exhibit 10.58 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.16*	MagnaChip Semiconductor Corporation 2011 Form of Restricted Stock Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.59 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.17*	MagnaChip Semiconductor Corporation 2011 Form of Restricted Stock Agreement (Non-U.S. Participants) (incorporated by reference to Exhibit 10.60 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.18*	MagnaChip Semiconductor Corporation 2011 Form of Restricted Stock Units Agreement (Nonemployee Director) (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 6, 2016).
10.19*	Form of Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on October 26, 2018).
10.20*	Form of Restricted Stock Units Agreement (TSR Performance) (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on October 26, 2018).
10.21*	Form of Restricted Stock Units Agreement (AOP Performance) (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on October 26, 2018).
10.22*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement (Non-employee Directors) (incorporated by reference to Exhibit 99.2 to our Registration Statement on Form S-8 filed on July 15, 2020)
10.23*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement (Section 16 Officers) (incorporated by reference to Exhibit 99.3 to our Registration Statement on Form S-8 filed on July 15, 2020).
10.24*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement—Financial Performance (CEO) (incorporated by reference to Exhibit 99.4 to our Registration Statement on Form S-8 filed on July 15, 2020).
10.25*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement—Financial Performance (Non-CEO Section 16 Officers) (incorporated by reference to Exhibit 99.5 to our Registration Statement on Form S-8 filed on July 15, 2020).
10.26*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement—TSR Performance (CEO) (incorporated by reference to Exhibit 99.6 to our Registration Statement on Form S-8 filed on July 15, 2020).

Exhibit No.	Exhibit Description
10.27*	MagnaChip Semiconductor Corporation 2020 Form of Restricted Stock Units Agreement—TSR Performance (Non-CEO Section 16 Officers) (incorporated by reference to Exhibit 99.7 to our Registration Statement on Form S-8 filed on July 15, 2020).
10.28*	Patent Cross-License Agreement, with an effective date as of June 15, 2017, by and between Infineon Technologies AG and Magnachip Semiconductor, Ltd. (incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.29*	First Amendment to the Patent Cross-License Agreement, with an effective date as of January 1, 2022, by and between Infineon Technologies AG and Magnachip Semiconductor, Ltd. (incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.30*	Form of 2020 Plan Restricted Stock Units Agreement (Non-employee Directors) (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.31*	Form of 2020 Plan Restricted Stock Units Agreement (CEO and other Section 16 Officers) (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.32*	Form of 2020 Plan Restricted Stock Units Agreement—Financial Performance (CEO) (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.33*	Form of 2020 Plan Restricted Stock Units Agreement—Financial Performance (Non-CEO Section 16 Officers) (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.34*	Form of 2020 Plan Restricted Stock Units Agreement—TSR Performance (CEO) (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
10.35*	Form of 2020 Plan Restricted Stock Units Agreement—TSR Performance (Non-CEO Section 16 Officers) (incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 4, 2022)
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K filed on March 9, 2021)
23.1#	Consent of Samil PricewaterhouseCoopers
31.1#	Certification of Chief Executive Officer required by Rule 13(a)-14(a), as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
31.2#	Certification of Chief Financial Officer required by Rule 13(a)-14(a), as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer required by 18 U.S.C § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer required by 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
101.INS#	Inline XBRL Instance Document

Exhibit No.	Exhibit Description
101.SCH#	Inline XBRL Taxonomy Extension Schema Document
101.CAL#	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF#	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB#	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE#	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Footnotes:

(1) Certain portions of this document have been omitted pursuant to a grant of confidential treatment by the SEC.

* Management contract, compensatory plan or arrangement

\# Filed herewith

† Furnished herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By:	/s/ Young-Joon Kim
Name:	Young-Joon Kim
Title:	Chief Executive Officer and Director
Date:	February 22, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Date
/s/ Young-Joon Kim Young-Joon Kim, *Chief Executive Officer and Director* *(Principal Executive Officer)*	February 22, 2023
/s/ Shin Young Park Shin Young Park, *Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*	February 22, 2023
/s/ Melvin Keating Melvin Keating, *Director*	February 22, 2023
/s/ Ilbok Lee Ilbok Lee, *Director*	February 22, 2023
/s/ Camillo Martino Camillo Martino, *Non-Executive Chairman of the Board of Directors*	February 22, 2023
/s/ Gary Tanner Gary Tanner, *Director*	February 22, 2023
/s/ Liz Chung Liz Chung, *Director*	February 22, 2023