



**c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520
Luxembourg, Grand Duchy of Luxembourg**

To Our Stockholders:

You are invited to attend the Annual Meeting of Stockholders of MagnaChip Semiconductor Corporation to be held on July 12, 2017, at 6:00 p.m. Eastern Daylight Time. We are pleased to announce that this year's annual meeting will be held completely virtual 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/mx2017. We have enclosed the notice of our Annual Meeting of Stockholders, together with a proxy statement, a proxy and an envelope for returning the proxy.

You are asked to act upon proposals to: (1) elect the seven director nominees named in the proxy statement to our Board of Directors; and (2) ratify the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the current fiscal year. Your Board of Directors unanimously recommends that you vote "FOR" each nominee for director that the Board has selected and "FOR" the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the current fiscal year.

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 meeting.

Sincerely,

/s/ Young-Joon Kim

Young-Joon Kim
Chief Executive Officer

May 31, 2017



**MagnaChip Semiconductor Corporation
c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520
Luxembourg, Grand Duchy of Luxembourg**

Proxy

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
July 12, 2017**

The Annual Meeting of Stockholders of MagnaChip Semiconductor Corporation, a Delaware corporation, will be held on Wednesday, July 12, 2017, at 6:00 p.m. Eastern Daylight Time, via live interactive webcast on the Internet, for the following purposes:

- (1) to elect the seven director nominees named in the proxy statement to our Board of Directors;
- (2) to ratify the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the current fiscal year; and
- (3) 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, May 25, 2017, 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 offices at MagnaChip Semiconductor Corporation, c/o MagnaChip Semiconductor, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, for ten days prior to the Annual Meeting. If you are a stockholder of record and would like to view this stockholder list, please contact Investor Relations at (408) 625-1262. 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/mx2017.

By Order of the Board of Directors

/s/ Theodore Kim

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

May 31, 2017

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to Be Held on July 12, 2017**

The 2017 Proxy Statement and 2016 Annual Report are available, free of charge, at <http://www.proxyvote.com>.

The Company's Annual Report for the year ended December 31, 2016 is being mailed to stockholders concurrently with the 2017 Proxy Statement. The Annual Report contains financial and other information about the Company, 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 <http://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/mx2017 if they so desire.

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**MagnaChip Semiconductor Corporation
c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520
Luxembourg, Grand Duchy of Luxembourg**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 12, 2017

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 2017 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 July 12, 2017, at 6:00 p.m. Eastern Daylight Time. If you held shares of our Common Stock on May 25, 2017 (the “Record Date”), you are invited to attend the Annual Meeting at www.virtualshareholdermeeting.com/mx2017 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, Proxy Statement, the enclosed proxy card, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are being mailed to stockholders commencing on or about June 1, 2017.

What am I voting on?

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

1. Election of the seven director nominees specified in this Proxy Statement to serve until the 2018 Annual Meetings of Stockholders and until their respective successors are elected and qualified; and
2. Ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2017.

How does the Board recommend that I vote?

Our Board recommends that you vote your shares:

“FOR” the election of each of the seven director nominees named in this Proxy Statement to hold office until the 2018 Annual Meetings of Stockholders and until their respective successors are elected and qualified;

“FOR” the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2017.

Who can vote at the Annual Meeting?

If you were a holder of record of the Company’s common stock (the “Common Stock”) as of the close of business on May 25, 2017, the Record Date for the Annual Meeting, you may vote your shares at the Annual Meeting. As of the Record Date, there were 33,956,021 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/mx2017. 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?

You are invited to attend the Annual Meeting, if you are a stockholder or record or a beneficial owner as of May 25, 2017, live via the Internet at www.virtualshareholdermeeting.com/mx2017. You must have your Control Number listed on the enclosed proxy card to enter the meeting. The webcast starts at 6:00 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/mx2017. 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 Company will vote your shares (1) “FOR” the election of each of the seven director nominees named in this Proxy Statement to hold office until 2018 Annual Meetings of Stockholders and until their respective successors are elected and qualified; and (2) “FOR” the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accountants for the fiscal year ending December 31, 2017.

The Company does not expect that any matters other than the election of directors and the other proposal 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. 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 Two—the ratification of our independent registered public accounting firm for the current fiscal year. Proposal One—the election of directors is a non-routine matter. 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 Two—the ratification of our independent registered public accounting firm for the current fiscal year. 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—Ratification of the Appointment of our Independent Registered Public Accounting Firm for the Current Fiscal Year

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.

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 July 11, 2017.

Voting by Telephone or Internet. A registered stockholder may vote shares until 11:59 p.m. Eastern Daylight Time on July 11, 2017 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/mx2017. 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/mx2017, 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 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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, Attention: Secretary, which revocation or later-dated proxy is received by us prior to the close of business on July 11, 2017; (2) voting again by telephone or Internet in the manner described above prior to 11:59 p.m., Eastern Daylight Time, on July 11, 2017; or (3) attending the Annual Meeting and voting via the Internet during the meeting using the procedures described at www.virtualshareholdermeeting.com/mx2017. 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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, Attention: Secretary.

PROPOSAL ONE

ELECTION OF DIRECTORS

The members of our Board of Directors 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. Pursuant to our bylaws, we have seven members of our Board of Directors. The number of directors may be changed by our Board of Directors 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, seven 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 of Directors are Mr. Melvin L. Keating, Mr. Young-Joon Kim, Mr. Randal Klein, Dr. Ilbok Lee, Mr. Camillo Martino, Mr. Gary Tanner and Mr. Nader Tavakoli.

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 of Directors.

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gary Tanner	64	Non-Executive Chairman of the Board of Directors and Member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee
Melvin L. Keating	70	Director and Chair of the Audit Committee
Randal Klein	52	Director and Member of the Risk Committee
Young-Joon (YJ) Kim	52	Director and Chief Executive Officer
Ilbok Lee	71	Director, Chair of the Nominating and Corporate Governance Committee and Member of the Compensation Committee and the Risk Committee
Camillo Martino	55	Director, Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee
Nader Tavakoli	59	Director, Chair of the Risk Committee and Member of the Audit Committee and the Compensation Committee

Gary Tanner, Non-Executive Chairman of the Board of Directors and Member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Tanner became our Non-Executive Chairman of the Board of Directors in September 2016 and our director in August 2015. 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, when Zarlink was acquired by Microsemi Corporation in October 2011. 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/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 of Directors has concluded that Mr. Tanner should serve on the Board of Directors based upon his extensive experience in the semiconductor industry.

Melvin L. Keating, Director and Chair of the Audit Committee. Mr. Keating became our director in August 2016. Mr. Keating was appointed to our Board of Directors pursuant to the agreement between the Company and Engaged Capital, LLC, dated as of May 26, 2016 (the “Engaged Capital Agreement”). Mr. Keating serves as a consultant, providing investment advice and other services to private equity firms, since November 2008. Mr. Keating also serves as a director of Red Lion Hotels Corporation, a hospitality company primarily engaged in the franchising, ownership and operation of hotels, since July 2010 and served as Chairman of the Board of Directors from January 2013 through September 2015. 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. Mr. Keating also currently serves as a director of ModSys International Ltd. (NASDAQ: MDSY) (formerly BluePhoenix Solutions Ltd. (NASDAQ: BPHX)), a legacy platform modernization provider, and served as the Chairman of its Board of Directors from May 2015 through February 2016. During the past 5 years, Mr. Keating also served on the Boards of Directors of the following public companies: API Technologies Corp.; Integral Systems Inc. (October 2010—July 2011); and Crown Crafts Inc. (August 2010—August 2013). Mr. Keating holds a B.A. degree in Art History from Rutgers University, as well as an M.S. in Accounting and an M.B.A. in Finance, both from the Wharton School of the University of Pennsylvania. Our Board of Directors has concluded that Mr. Keating should serve on the Board of Directors based upon his extensive experience advising technology companies.

Young-Joon (YJ) Kim, Director, Chief Executive Officer. Mr. YJ Kim became our Chief Executive Officer and director in May 2015. Mr. Kim joined MagnaChip 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. He also served as the acting General Manager of our Foundry Services Group from May to November 2015. Prior to joining our Company, Mr. Kim held a variety of senior management roles at several global semiconductor firms in a career spanning nearly 30 years. His past roles include marketing, engineering, product development and strategic planning, and his product expertise includes microprocessors, network processors, FLASH, EPROM, analog, mixed-signal, sensors, workstations and servers. Immediately before joining MagnaChip, Mr. Kim served as Vice President, Infrastructure Processor Division, and General Manager of the 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 1988, 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. Mr. Kim holds B.S. and M.Eng degrees in Electrical Engineering from Cornell University. Our Board of Directors has concluded that Mr. YJ Kim should serve as a director based on his understanding of the Company’s products and technology as our Chief Executive Officer and his deep knowledge of the semiconductor industry.

Randal Klein, Director and Member of the Risk Committee. Mr. Klein became our director in November 2009. Mr. Klein joined Avenue in 2004, and is currently a Portfolio Manager at Avenue where he assists with the direction of the investment activities of the Avenue U.S. strategy with a particular focus on restructurings and transactions while previously directing the investment activities of the Avenue Trade Claims funds. Previously, Mr. Klein was a Senior Vice President of the Avenue U.S. Funds. In such capacity, Mr. Klein was responsible for managing restructuring activities and identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue, Mr. Klein was a Senior Vice President at Lehman Brothers, where his responsibilities included restructuring advisory work, financial sponsors coverage, mergers and acquisitions and corporate finance. Prior to Lehman, Mr. Klein worked in sales, marketing and engineering as an

aerospace engineer for The Boeing Company. Mr. Klein is a National Association of Corporate Directors (NACD) Board Leadership Fellow. Mr. Klein holds a B.S. in Aerospace Engineering, conferred with Highest Distinction from the University of Virginia, and an M.B.A. in Finance, conferred as a Palmer Scholar, from the Wharton School of the University of Pennsylvania. Our Board of Directors has concluded that Mr. Klein should serve on the Board of Directors based upon his 22 years of experience as a financial advisor and investment manager.

Ilbok Lee, Director, Chair of the Nominating and Corporate Governance Committee, and Member of the Compensation Committee and the Risk Committee. Dr. Lee became our director in August 2011. Dr. Lee is the Executive Chairman of Silego Technology, Inc., a semiconductor company, or Silego, serving as Executive Chairman since August 2016. Dr. Lee also served as Silego's Chairman of the Board from March 2015 to August 2016 and as Silego's Chief Executive Officer since Silego's inception in October 2001 until August 2016. He also served as Silego's President from October 2001 until March 2015. 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 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 of Directors has concluded that Dr. Lee should serve on the Board of Directors based upon his extensive experience in the semiconductor industry.

Camillo Martino, Director, Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee. Mr. Martino became our director in August 2016. Mr. Martino was nominated to stand for election to our Board of Directors at the Company's 2016 Annual Meeting of Stockholders pursuant to the Engaged Capital Agreement. Mr. Martino also serves as a Board Member and Executive Advisor to technology companies. Mr. Martino also served as a director and the Chief Executive Officer of Silicon Image, Inc. (formerly NASDAQ:SIMG), a leading provider of wired and wireless video, audio and data connectivity solutions, 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., a privately held company where he also served as a director from June 2006 to November 2010. From July 2005 to June 2007, Mr. Martino served as the President, CEO and Director of Cornice Inc., a privately held technology company focused on storage solutions. From August 2001 to July 2005, Mr. Martino served as the Executive Vice President and Chief Operating Officer at Zoran Corporation, a global semiconductor company. Prior to that, Mr. Martino held multiple positions with National Semiconductor Corporation for a total of nearly 14 years. Mr. Martino holds a Bachelor of Applied Science in Electronics Engineering from the University of Melbourne and a Graduate Diploma in Digital Communications from Monash University (Australia). Our Board of Directors has concluded that Mr. Martino should serve on the Board of Directors based upon his extensive experience advising technology companies.

Nader Tavakoli, Director, Chair of the Risk Committee, and Member of the Audit Committee and the Compensation Committee. Mr. Tavakoli became our director in November 2009. Mr. Tavakoli served as the President and Chief Executive Officer of Ambac Financial Group, Inc., or AFG, a financial services company, from January 2016 to December 2016 and served as the interim President and Chief Executive Officer of AFG from January 2015 to January 2016. Mr. Tavakoli also served as a director of AFG from May 2013 to December 2016, and was co-chairman of the board of AFG from May 2013 until December 2014. In addition, Mr. Tavakoli served as the Executive Chairman of AFG's wholly owned subsidiary, Ambac Assurance Corporation, or AAC, from January 1, 2015 to May 7, 2016, and served as a member of the audit committee and chairman of the compensation committee of AFG and AAC from May 2013 until December 2014. Mr. Tavakoli is also the Chairman and Chief Executive Officer of EagleRock Capital Management, a private investment partnership

based in New York City. Prior to founding EagleRock in 2002, Mr. Tavakoli managed substantial investment portfolios with Odyssey Partners and Highbridge Capital Management. During his nearly 25 year investment career, Mr. Tavakoli has made substantial investments across numerous industries, including significant investments in semiconductor, technology and telecommunications companies. Mr. Tavakoli began his professional career as an attorney with the New York City law firm of Milbank, Tweed, Hadley and McCloy, where he represented institutional clients in banking, litigation and corporate restructuring matters. Mr. Tavakoli was a director of NextWave Wireless, Inc., prior to that company's acquisition by AT&T Inc. in January 2013. Mr. Tavakoli also serves on the board of MF Global Holding Ltd., and also serves as the company's Litigation Trustee, pursuing claims against former management and others on behalf of the company. Mr. Tavakoli is the past chair of the Montclair State University Foundation Board and its investment committee. Mr. Tavakoli holds a B.A. in History from Montclair State University, where he was selected Valedictorian, and a Juris Doctor from the Rutgers Law School, where he was an Editor of the Rutgers Law Review. Our Board of Directors has concluded that Mr. Tavakoli should serve on the Board of Directors based upon his extensive executive management, corporate governance and investing experience.

THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

The Board of Directors reviews the independence of each director annually. In determining the independence of our directors, our Board of Directors 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 of Directors has determined that the following directors are independent: Mr. Keating, Dr. Lee, Mr. Martino, Mr. Tanner and Mr. Tavakoli. Our Board of Directors also determined that R. Douglas Norby and Michael Elkins, each of whom served as a director during 2016, were independent based upon the foregoing criteria. In making such determination of independence for Mr. Elkins under the applicable NYSE independence standards, the Board of Directors specifically considered Mr. Elkins' previous employment and consulting arrangement with Avenue.

Board Meetings

The Board held 39 meetings during fiscal year 2016. All of the Directors attended at least 93% of the total meetings held by the Board and by all committees on which he served during fiscal year 2016.

Attendance at Annual Meeting

The Company's Corporate Governance Guidelines as currently in effect provides that all directors shall make every effort to attend the Company's annual meeting of stockholders.

Committees

The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee. The Board of Directors establishes ad hoc committees from time to time, which currently include the Finance Committee, the Strategic Review Committee and the Advisory Committee.

The Board of Directors 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 www.magnachip.com. The information on or accessible through our website is not a part of or incorporated by reference in this Report.

Audit Committee

Our Audit Committee consists of Mr. Keating, as Chair, Mr. Tanner and Mr. Tavakoli. Our Board of Directors 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. Our Board of Directors has also determined that each of Mr. Keating, Mr. Tanner and Mr. Tavakoli 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.

The Audit Committee held five meetings in 2016. 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, Dr. Lee, Mr. Tanner and Mr. Tavakoli. Our Board of Directors has determined that each of Mr. Martino, Dr. Lee, Mr. Tanner and Mr. Tavakoli is independent under applicable NYSE listing standards.

The Compensation Committee held one meeting in 2016. The Compensation Committee has 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.

Nominating and Corporate Governance Committee

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

The Nominating and Corporate Governance Committee held three meetings in 2016. 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, oversees the evaluation of our Board of Directors 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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, 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 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. The Nominating and Corporate Governance Committee may also, if it deems appropriate under the circumstances, engage a third-party search firm to assist in identifying qualified candidates. 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 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. Tavakoli, as Chair, Mr. Klein and Dr. Lee. The Risk Committee assists the Board of Directors 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 and reviewing the Company’s business practices, compliance activities and enterprise risk management and making recommendations to the Board of Directors related to such review.

Board Leadership Structure

Separation of Chairman and Chief Executive Officer

Our Corporate Governance Guidelines state that the Board of Directors shall elect its Chairman 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 of Directors does not believe there should be a fixed rule as to whether the offices of Chairman and Chief Executive Officer should be vested in the same person or two different people, or whether the Chairman 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 of Directors believes that retaining flexibility in these decisions is in the best interest of the Company.

Currently, Mr. Tanner serves as the Company's Chairman of the Board of Directors and Mr. YJ Kim serves as the Company's Chief Executive Officer. Following the Annual Meeting, Mr. Tanner will continue to serve as Chairman of the Board, subject to his election as a director at the Annual Meeting. The Board of Directors may, however, make changes to its leadership structure in the future as it deems appropriate.

Lead Director

In the event that positions of Chairman and Chief Executive Officer are held by the same person, on an annual basis the independent members of the Board of Directors will select a lead director from the independent directors then serving on the Board of Directors (the "Lead Director"). The length of service as Lead Director is subject to the Board of Directors'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 of Directors

The Company's non-management directors meet at regularly scheduled Board of Directors meetings in executive session without management present. In 2016, the Chairman presided over the meetings of the non-management directors. In addition, in accordance with our Corporate Governance Guidelines, the independent members of the Board of Directors meet at least twice a year in executive session, with the Chairman setting the agenda and presiding over such meetings.

Presiding Director

In accordance with our Corporate Governance Guidelines, the presiding director of the Board of Directors is the Chairman of the Board of Directors, 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 of Directors. The presiding director presides at all meetings of the Board of Directors and is responsible for chairing the Board of Directors' executive sessions.

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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113. Our Code of Business Conduct and Ethics is also available on our website at www.magnachip.com. We will disclose any waivers or amendments to the provisions of our Code of Business Conduct and Ethics on our website.

Assessment of Risk

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 capped and payout opportunities may be achieved on a straight-line interpolation basis between threshold and target levels, and between the target and maximum levels. In addition, non-GAAP performance metrics are used in our cash incentive program to align achievement with our business strategy. Our equity awards are limited by the terms of our equity plans to 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 equityholders.

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, 2016. The Audit Committee has also discussed with our

independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU Section 380), as adopted by the Public Company Accounting and Oversight Board in Rule 3200T.

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, 2016 filed with the SEC.

Audit Committee:

Melvin L. Keating, Chair
Gary Tanner
Nader Tavakoli

Communications with Directors

A stockholder or other interested party who wishes to communicate directly with the Board of Directors, a committee of the Board of Directors, the non-management or independent directors as a group, or with the Chairman 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, Inc.
Corporate Secretary
60 South Market Street, Suite 750
San Jose, CA 95113
Facsimile: (408) 625-5990

We will forward all stockholder and other interested party correspondence about the Company to the Board of Directors, a committee of the Board of Directors, 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.

Director Compensation for the Fiscal Year Ended December 31, 2016

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)(9)</u>	<u>Option Awards (\$)(10)</u>	<u>Total (\$)</u>
Michael Elkins	69,582(2)	94,916	102,521(11)	267,019
Melvin Keating	134,630(3)	59,999	65,894(12)	260,523
Randal Klein(1)	—	—	—	—
Ilbok Lee	208,926(4)	94,916	102,521(11)	406,363
Camillo Martino	130,146(5)	59,999	65,894(12)	256,039
R. Douglas Norby	129,393(6)	34,916	36,628(13)	200,938
Nader Tavakoli	216,746(7)	94,916	102,521(11)	414,183
Gary Tanner	289,444(8)	94,916	102,521(11)	486,881

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- (1) This director did not receive any compensation in 2016.
 - (2) Consists of an annual retainer of \$66,925 paid to independent directors plus an additional \$8,014 for serving as Board Chairman, an additional \$11,401 for serving as the chair of our Compensation Committee, an additional \$1,068 for serving as a member of our Compensation Committee, an additional \$8,730 for serving as a member of our Audit Committee, an additional \$3,444 for serving as a member of our Nominating and Corporate Governance Committee and an additional \$15,000 in meeting fees pursuant to our director compensation policy each for services performed from January 1, 2016 through September 8, 2016 when Mr. Elkins resigned from our Board of Directors. In 2016, Mr. Elkins returned \$45,000 for serving as Lead Director paid by the Company in 2015 due to our Board of Director's decision not to appoint a Lead Director for 2015.
 - (3) Consists of an annual retainer of \$90,000 paid to independent directors plus an additional \$20,479 for serving as the chair of our Audit Committee, an additional \$1,151 for serving as a member of our Audit Committee, each partially paid in advance for serving as a non-employee director and as a committee chair or committee member from the date of our 2016 annual meeting through the date of our 2017 annual meeting, an additional \$3,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.
 - (4) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$15,820 for serving as the chair of our Nominating and Corporate Governance Committee, an additional \$15,820 for serving as a member of our Compensation Committee, an additional \$7,910 for serving as a member of our Risk Committee, each partially paid in advance for serving as a committee chair and committee member from January 1, 2016 until our 2017 annual meeting, and an additional \$27,000 in meeting fees pursuant to our director compensation policy.
 - (5) Consists of an annual retainer of \$90,000 paid to independent directors plus an additional \$12,288 for serving as the chair of our Compensation Committee, an additional \$767 for serving as a member of our Compensation Committee, an additional \$4,091 for serving as a member of our Nominating and Corporate Governance Committee, each partially paid in advance for serving as a non-employee director and as a committee chair or committee member from the date of our 2016 annual meeting through the date of our 2017 annual meeting, an additional \$3,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.
 - (6) Consists of an annual retainer of \$52,377 paid to independent directors plus an additional \$43,648 for serving as Board Chairman, an additional \$14,549 for serving as the chair of our Audit Committee, an additional \$2,910 for serving as a member of our Nominating and Corporate Governance Committee, an additional \$2,910 for serving as a member of our Risk Committee, each for serving as a non-employee director, as Board Chairman, and as a committee chair or committee member from January 1, 2016 through July 31, 2016, and an additional \$13,000 in meeting fees pursuant to our director compensation policy.
 - (7) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$15,820 for serving as the chair of our Risk Committee, an additional \$23,730 for serving as a member of our Audit Committee, an additional \$15,820 for serving as a member of our Compensation Committee, each partially paid in advance for serving as a committee chair and committee member from January 1, 2016 until our 2017 annual meeting, and an additional \$19,000 in meeting fees pursuant to our director compensation policy.
 - (8) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$61,433 for serving as Board Chairman, an additional \$2,712 for serving as the chair of our Compensation Committee, an additional \$23,730 for serving as a member of our Audit Committee, an additional \$8,192 for serving as a member of our Compensation Committee, an additional \$5,000 for

serving as a member of our Nominating and Corporate Governance Committee, each partially paid in advance for serving as Board Chairman, as a committee chair and as committee member from January 1, 2016 until our 2017 annual meeting, an additional \$26,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.

- (9) Represents the grant date fair value of RSUs granted in 2016. As of December 31, 2016, Mr. Elkins held 22,020 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Keating held 8,119 RSUs in the aggregate, of which none of RSUs had vested as of December 31, 2016, Dr. Lee held 30,139 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Martino held 8,119 RSUs in the aggregate, of which none of RSUs had vested as of December 31, 2016, Mr. Norby held 22,020 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Tavakoli held 30,139 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016 and Mr. Tanner held 19,841 RSUs in the aggregate, of which 11,722 had vested as of December 31, 2016. Mr. Klein, our other non-employee director as of December 31, 2016, did not hold any outstanding stock or option awards as of December 31, 2016.
- (10) Represents grant date fair value determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation,” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” in the Original 10-K Filing. As of December 31, 2016, Mr. Elkins held aggregate options to purchase 154,856 shares of our common stock, of which 154,856 shares subject to the options had vested as of December 31, 2016, Mr. Keating held aggregate options to purchase 37,904 shares of our common stock, of which none of shares subject to the options had vested as of December 31, 2016, Dr. Lee held aggregate options to purchase 192,760 shares of our common stock, of which 154,856 shares subject to the options had vested as of December 31, 2016, Mr. Martino held aggregate options to purchase 37,094 shares of our common stock, of which none of shares subject to the options had vested as of December 31, 2016, Mr. Norby held aggregate options to purchase 174,856 shares of our common stock, of which 174,856 shares subject to the options had vested as of December 31, 2016, Mr. Tavakoli held aggregate options to purchase 200,960 shares of our common stock, of which 163,056 shares subject to these options had vested as of December 31, 2016 and Mr. Tanner held aggregate options to purchase 81,284 shares of our common stock, of which 43,380 shares subject to the options had vested as of December 31, 2016. Mr. Klein, our other non-employee director as of December 31, 2016, did not hold any outstanding stock or option awards as of December 31, 2016.
- (11) Consists of an option grant to the independent director to purchase 29,478 shares of common stock issued on March 11, 2016 under the 2011 Plan at an exercise price of \$5.53 for serving as a non-employee director from January 1, 2016 through July 31, 2016 plus an option grant to the independent director to purchase 37,904 shares of common stock issued on August 8, 2016 under the 2011 Plan at an exercise price of \$7.39 for serving as a non-employee director from the date of our 2016 annual meeting through the date of our 2017 annual meeting.
- (12) Consists of an option grant to the independent director to purchase 37,904 shares of common stock issued on August 8, 2016 under the 2011 Plan at an exercise price of \$7.39 for serving as a non-employee director from the date of our 2016 annual meeting through the date of our 2017 annual meeting.
- (13) Consists of an option grant to the independent director to purchase 29,478 shares of common stock issued on March 11, 2016 under the 2011 Plan at an exercise price of \$5.53 for serving as a non-employee director from January 1, 2016 through July 31, 2016.

Further Information Regarding Director Compensation

Under our director compensation policy in effect in 2016, (i) each non-employee director received a fee of \$90,000 per year; (ii) the chairman of the Board received an additional fee of \$75,000 per year; (iii) the chair of our Audit Committee received an additional fee of \$25,000 per year; (iv) the chair of our Compensation Committee received an additional fee of \$15,000 per year; (v) the chair of our Nominating and Corporate Governance Committee and the chair of our Risk Committee each received an additional fee of \$10,000 per year; (vi) each member of our Audit Committee received an additional \$15,000 per year, each member of Compensation

Committee received an additional \$10,000 per year and each member of our Nominating and Corporate Governance Committee and Risk Committee received an additional fee of \$5,000 per year per committee; (vii) upon election to the Board of Directors, each non-employee director will be granted, pursuant to the Company's equity incentive plan as in effect at such time, an option having a grant date fair value equal to \$60,000, at an exercise price per share determined as the fair market value of a share on the date of grant and with vesting over one year at a rate of 100% on the first anniversary of grant, and a restricted stock unit award having a grant date fair value equal to \$60,000 with vesting over one year at a rate of 100% on the first anniversary of grant, with such grants to be 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; and (viii) if a non-employee director's initial appointment to the Board occurs other than at an Annual Meeting of Stockholders of the Company, such director will be granted, pursuant to the Company's equity incentive plan as in effect at such time, an option (at an exercise price per share determined as the fair market value of a share on the date of grant) and a restricted stock unit award having an aggregate grant date fair value equal to \$120,000 multiplied by the quotient of 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) divided by 365 (with each of the option and the restricted stock unit award to comprise 50% of such total grant), with such grants to vest 100% on the date of the Company's next Annual Meeting of Stockholders (or, if earlier, August 31 of such year). In 2016, the Company changed the timing of payment of its annual and committee service fees to non-employee directors such that each of the cash payments referenced in the preceding sentences was paid on the meeting date of the Company's 2016 Annual Meeting of Stockholders for the annual period of service beginning on such meeting date and continuing through the date of the 2017 Annual Meeting of Stockholders. As a result, the Company also made a prorated payment of director fees owed for the period from January 1, 2016 through July 31, 2016. Effective January 2017, the cash payments referenced above will be paid in quarterly installments for any fiscal quarter during which a non-employee director serves on the Board of Directors. Our non-employee directors also receive certain fees for attending meetings of the Board of Directors, the standing committees on which they serve and certain ad hoc committees on which they serve, including a fee of \$10,000 for each on-site visit to the Company's Korean headquarters made by a member of the Advisory Committee of the Board of Directors. Our director compensation policy in effect for 2016 also provided that the Lead Director of the Board, if any, would receive an additional fee of \$45,000 per year. No Lead Director was appointed for 2016. Mr. Klein is required by the internal policy of his employer, Avenue, to waive all compensation under the policy on a year-by-year basis. The Board of Directors accepted his waiver of all compensation under the policy for his services as director during the year 2016.

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 2016, decisions regarding executive officer compensation were made by our Compensation Committee. Mr. YJ Kim, our Chief Executive Officer, participated in deliberations of our Compensation Committee regarding the determination of compensation of our executive officers other than himself for 2016 and prior periods. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our Board of Directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee of our Board of Directors (the “Committee”) has overall responsibility for administering our compensation program for our “named executive officers.” The Committee’s responsibilities consist of evaluating, approving and monitoring our executive officer and director compensation plans, policies and programs, as well as each of our equity-based compensation plans and policies. For 2016, our named executive officers were:

- Young-Joon Kim, our Chief Executive Officer;
- Jonathan Kim, our Chief Financial Officer, Executive Vice President and Chief Accounting Officer;
- Theodore Kim, our Chief Compliance Officer, Executive Vice President, General Counsel and Secretary;
- Tae Jong Lee, our Executive Vice President and General Manager, Foundry Services Group; and
- Woung Moo Lee, our Executive Vice President and General Manager, Standard Products Group.

The Committee seeks to establish total compensation for executive officers that is fair, reasonable and competitive. The Committee evaluates our compensation packages 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 meets or exceeds 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.

The Committee believes that the most effective executive compensation packages align executives’ interests with those of our stockholders by rewarding performance that exceeds specific annual, long-term and strategic goals that are intended to improve stockholder value. These objectives include the achievement of financial performance goals and progress on projects that our Board of Directors anticipates will lead to future growth, as discussed more fully below.

The information set forth below in this Compensation Discussion and Analysis describes the Committee’s general philosophy and historical approach.

Say on Pay Vote and Stockholder Input

The Committee also seeks to ensure that the compensation paid to the Company’s executive officers is aligned with the interests of the Company’s stockholders. In that respect, as part of its ongoing review of the compensation paid to the Company’s executive officers, the Committee considered the approval by approximately 96.8% of the votes cast for the “Say on Pay” vote relating to the compensation of our named executive officers at the Company’s 2015 Annual Meeting of Stockholders and determined that the Company’s executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any changes to the Company’s executive pay program for 2016.

Timing of Compensation Decisions

At the end of each fiscal year, our chief executive officer reviews the performance of the other executive officers and presents his conclusions and recommendations to the Committee. At that time and throughout the

year, the Committee also evaluates the performance of our chief executive officer, which is measured in substantial part against our consolidated financial performance. In the first quarter of 2016, the Committee then assessed the overall functioning of our compensation plans against our goals, and determined whether any changes to the allocation of compensation elements, or the structure or level of any particular compensation element, were warranted.

In connection with this process, our Committee generally establishes the elements of our short-term cash incentive plan for the upcoming year. With respect to newly hired employees, our practice is typically to approve equity grants at the first meeting of the Committee following such employee's hire date. We do not have any program, plan or practice to time equity award grants in coordination with the release of material non-public information. From time to time, additional equity awards may be granted to executive officers during the fiscal year.

Role of Executive Officers in Compensation Decisions

For named executive officers other than our chief executive officer, we have historically sought and considered input from our chief executive officer in making determinations regarding executive compensation. Our chief executive officer annually reviews the performance of our other named executive officers. Our chief executive officer subsequently presents conclusions and recommendations regarding the compensation of such officers, including proposed salary adjustments and incentive amounts, to the Committee. The Committee then takes this information into account when it makes final decisions regarding any adjustments or awards.

The review of performance by the Committee and our chief executive officer of other executive officers is both an objective and subjective assessment of each executive's contribution to our performance, leadership qualities, strengths and weaknesses and performance relative to goals set by the Committee or our chief executive officer, as applicable. The Committee and our chief executive officer 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.

The Committee's annual determinations regarding executive compensation are subject to the terms of the respective service agreements between us and the named executive officers (as set forth in more detail below). In addition to the annual reviews, the Committee also typically considers compensation changes upon a named executive officer's promotion or other change in job responsibility. Neither our chief executive officer nor any of our other executives participate in deliberations relating to their own compensation.

Role of Compensation Consultant

The 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 2016, the Committee retained Compensia Inc. ("Compensia"), a national compensation consulting firm, to serve as its compensation consultant. This compensation consultant serves at the discretion of the Committee.

During 2016, Compensia provided the following services:

- assisted the Committee in determining the design and amount of equity awards for the key executives and Board members; and
- assisted the Committee in determining the appropriate pool of stock to grant to all employees in 2016.

In 2016, Compensia did not provide any services to us other than the consulting services to the Committee. The Committee regularly reviews the objectivity and independence of the advice provided by its compensation consultant on executive compensation. In 2016, the 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 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 of Directors. Our 2016 compensation package was comprised of the following elements:

- annual base salary;
- short-term cash incentives;
- long-term equity incentives;
- a health and welfare benefits package that is generally available to all of our employees;
- expatriate and other executive benefits; and
- limited post-employment or change in control benefits pursuant to individual severance agreements.

Determination of Amount of Each Element of Compensation

General Background

The 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 our compensation peer group, subject to adjustments based on each executive's experience and performance. Historically, based on our review of industry-specific survey data and the professional and market experience of our Committee members, we measured total cash compensation for our named executive officers against cash compensation paid to executives at similarly situated companies which we determined to be in our select peer group. Base salaries for our named executive officers would then be set at competitive levels as compared to similarly situated executives in the select peer group. Short-term cash incentives would be put in place to provide for opportunities that may result in competitive levels of cash compensation as compared to our select peer group if, and depending upon the extent to which, our performance and that of our named executive officers exceeded expectations and the goals established by the Committee for the applicable year.

Competitive Positioning

For purposes of comparing our executive compensation against the competitive market, the 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 geographic location.

In October 2014, with the assistance of Compensia, the Committee developed our compensation peer group based on U.S.-based semiconductor companies. We focused on U.S.-based semiconductor companies because our highest ranking executives are U.S. expatriates who have opportunities to work with U.S.-based semiconductor companies. The companies in this compensation peer group were selected on the basis of their similarity to us, based on the following criteria:

- industry — semiconductors;
- similar revenue size — ~0.5x to ~2.0x our last four fiscal quarter revenue of approximately \$856 million (approximately \$428 million to approximately \$1.7 billion);
- executive positions similar in breadth, complexity and/or scope of responsibility; and
- competitors for executive talent.

The Committee approved the use of the market data from this peer group for our December 2014 executive compensation market assessment, which was used for setting executive compensation in 2016:

Cirrus Logic	OmniVision Technologies
Cypress Semiconductor	PMC-Sierra
Diodes	RF Micro Devices
Fairchild Semiconductor	Semtech
Integrated Device Tech	Silicon Laboratories
International Rectifier	Spansion
Intersil	SunEdison Semiconductor
Microsemi	TriQuint Semiconductor

The Committee used the market data from this peer group that was developed in 2014 as a reference point in its 2016 executive compensation decisions along with compensation data from the Radford Global Technology Survey as of July 2014 for companies with annual revenues between \$500 million and \$1 billion, with median revenues of \$739 million.

The Committee reviews our compensation peer group periodically prior to assessing executive compensation and makes adjustments to its composition, taking into account changes in both our business and the businesses of the companies in the peer group. The Committee is currently reviewing and revising our peer group for 2017.

The Committee historically makes annual determinations regarding cash incentive compensation based on our annual operating plan, which we usually adopt in December preceding each fiscal year. The determination takes into account our expected performance in the coming fiscal year. The Committee makes all equity compensation decisions for our officers based on existing compensation arrangements for other executives at our Company with the same level of responsibility and based on a review of our select peer group with a view to maintaining internal consistency and parity.

Equity awards are not tied to base salary or cash incentive amounts and will constitute lesser or greater proportions of total compensation depending on market practices and the Committee's determination of target grant values. The Committee, relying on the professional and market experience of our Committee members, 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 Committee does not apply a formula or assign relative weight in making its determination. Instead, it makes a subjective determination after considering all information collectively.

The Committee may approve additional cash incentive payments or equity compensation grants from time to time during the year in its discretion.

Annual Base Salary

Base salary is the guaranteed element of an employee's annual cash compensation. The 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 skill set and the value of that skill set. The Committee makes a subjective decision regarding any changes in base salary based on these factors and the data from our select peer group. The 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 generally take effect in the middle of our fiscal year. After considering the factors described above, in March 2016, the Committee increased the annual base salary for Mr. TJ Lee and Mr. WM. Lee by 72,296,000 Korean won (or an annual base salary of

\$60,855 based on the monthly average exchange rate for March 2016) and 69,992,000 Korean won (or an annual base salary of \$58,916 based on the monthly average exchange rate for March 2016), respectively. The Committee did not make any other changes to the base salaries of our other named executive officers.

Short-Term Cash Incentives

Short-term cash incentives are typically designed as a percentage of base salary and may be awarded based on individual performance or our achievement of the annual, long-term and strategic quantitative goals set by the Committee. In December 2009, our Board of Directors implemented a cash incentive plan effective as of January 1, 2010, which we call the Profit Sharing Plan. The Committee administers the Profit Sharing Plan. In 2016, we provided short-term cash incentive opportunities to our named executive officers under our Profit Sharing Plan to encourage our named executive officers to achieve certain short-term corporate performance goals. For 2016, the Committee determined that Consolidated Adjusted EBITDA would be the sole performance goal under the Profit Sharing Plan, which the Committee believes is a key measure of our core operating performance. Consolidated Adjusted EBITDA is equal to our GAAP net income (loss) before interest expense, net, income tax expenses (benefits), depreciation and amortization, adjusted to exclude (i) restructuring, impairment and other (gain), (ii) equity-based compensation expense, (iii) foreign currency loss (gain), net, (iv) derivative valuation loss (gain), net, and (v) restatement related expense. In June 2016, the Committee approved an annual Consolidated Adjusted EBITDA performance goal of \$35 million based on the Company’s annual operating plan for 2016 year.

In June 2016, the Committee also approved the target bonus amounts for each named executive officer (the “Target Bonus”), as a percentage of base salary, but with the related dollar amount of bonus awards prorated for the number of months remaining in the 2016 fiscal year, as set forth below.

<u>Named Executive Officer</u>	<u>2016 Target Bonus (% of Base Salary)</u>	<u>Prorated 2016 Target Bonus (\$)</u>
Young-Joon Kim	100%	\$324,917
Jonathan Kim	75%	\$153,125
Theodore Kim	75%	\$144,375
Tae Jong Lee	50%	\$ 86,585
Woung Moo Lee	60%	\$103,902

Achievement of 115% of the Consolidated Adjusted EBITDA performance goal resulted in a maximum payout of 150% of the named executive officer’s Target Bonus, while achievement of 100% of the Consolidated Adjusted EBITDA performance goal resulted a payout of 100% of such Target Bonus. Achievement below 85% of the Consolidated Adjusted EBITDA performance goal resulted in no bonus being earned. For performance within the maximum and threshold range, the percentage achievement would be determined based on a linear interpolation.

In February 2017, the Committee determined that the Consolidated Adjusted EBITDA goal was achieved at 115% of target. Although the level of achievement resulted in the maximum payout of 150% of each named executive officer’s Target Bonus, management recommended to cap the payout at each individual’s Target Bonus in light of our financial situation and the need to maintain continued vigilance in managing expenses. After taking into account management’s recommendation, the Committee determined to exercise negative discretion and approved the payments set forth below.

<u>Named Executive Officer</u>	<u>Fiscal 2016 Bonus (\$)</u>
Young-Joon Kim	\$324,917
Jonathan Kim	\$153,125
Theodore Kim	\$144,375
Tae Jong Lee	\$ 86,585
Woung Moo Lee	\$103,902

Long-Term Equity Incentives

We offer long-term incentive compensation in the form of equity awards as a way to enhance the link between the creation of stockholder value and executive incentive compensation and to give our named executive officers appropriate motivation and rewards for achieving increases in stockholder value. In 2016, the Committee granted a mix of stock options and time-based restricted stock units (“RSUs”) to our named executive officers under our 2011 Equity Incentive Plan, which replaced our 2009 Common Unit Plan immediately following our corporate conversion. We believe that stock options, which we grant with exercise prices equal to the fair market value of our common stock on the date of grant, provide appropriate long-term incentive compensation for our named executive officers because they are rewarded only to the extent that our stock price appreciates following the grant date of the stock options, which aligns with our stockholders’ interest in also seeing the value of their investment grow. We believe that time-based RSUs provide an appropriate balance to other forms of equity awards, help us achieve our retention objectives and further align the interests of our named executive officers with those of our stockholders.

In 2016, the Committee granted stock options and RSUs to all of our named executive officers. In determining the value of each of these awards, the Committee considered competitive market data (based on the compensation peer group data), as well as its objective of creating a meaningful retention incentive for each named executive officer and providing rewards for the named executive officers if they successfully achieve increases in stockholder value. Stock options and RSUs granted in 2016 vest in three equal annual installments on the first three anniversaries of the grant date.

Health and Welfare Benefits

Our named executive officers are eligible to participate in our employee benefit plans which are generally provided for all full-time employees, and on the same basis as all of our full-time employees in the country in which they are resident. These benefits include individual health insurance (medical, dental, and vision), group personal accident insurance and group business travel insurance.

Perquisites and Other Benefits

We provide the named executive officers with perquisites and other benefits, including expatriate benefits, that the 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 Committee considers to be the most 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 Committee determines the level and types of expatriate benefits for the 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.

Mr. YJ Kim, Mr. J. Kim and Mr. T. Kim were expatriates during 2016, 2015 and 2014, and received expatriate benefits commensurate with market practice in Korea. These benefits, which were determined on an individual basis, included housing allowances, relocation and repatriation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, living expenses, children’s tuition allowances, tax equalization payments and tax advisory services, each as the Committee deemed appropriate and in accordance with internal policies approved by our Board of Directors in effect from time to time.

Post-Employment Severance Benefits

Each of our named executive officers is party to a severance agreement that provides certain payments upon his termination of employment and a change in control of the Company. Please see the section below entitled “Agreements with Executives and Potential Payments Upon Termination or Change in Control” for further discussion of those benefits.

In addition, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident 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 2016.

Tax and Accounting Considerations

The 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.

Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2016, 2015 and 2014, of our named executive officers:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Stock Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Non- qualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)	Total (\$)
Young-Joon Kim Chief Executive Officer	2016	557,396	—	65,651	130,646	324,917	45,662	507,101(4)	1,631,373
	2015	475,954	—	137,984	360,990	—	77,918	434,515(5)	1,487,361(5)
	2014	349,917	—	—	—	—	30,315	340,435	720,667
Jonathan Kim Chief Financial Officer, Executive Vice President and Chief Accounting Officer	2016	350,249	—	50,675	100,784	153,125	28,820	168,879(6)	852,532
	2015	322,291	—	106,507	278,478	—	35,646	156,673	899,595
	2014	225,196	50,000	162,691	—	—	20,043	133,671	591,601
Theodore Kim Chief Compliance Officer, Executive Vice President, General Counsel and Secretary	2016	330,234	—	37,488	74,655	144,375	27,113	166,496(7)	780,361
	2015	310,058	—	78,791	206,280	—	34,996	134,057(8)	764,182(8)
	2014	279,934	—	—	—	—	24,081	111,114	415,129
Tae Jong Lee Executive Vice President and General Manager, Foundry Services Group	2016	291,991	—	37,488	74,655	86,585	68,253	46,327(9)	605,299
	2015	244,796	—	66,913	175,338	—	20,482	57,090	564,619
Woung Moo Lee Executive Vice President and General Manager, Standard Products Group	2016	292,302	—	37,488	74,655	103,902	36,024	35,236(10)	579,607
	2015	230,044	—	66,913	175,338	—	24,621	40,771	537,687

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

- (1) Represents the grant date fair value of stock options and restricted stock units granted in each fiscal year determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation,” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” in the Original 10-K Filing for a discussion of the assumptions used to calculate the amounts in these columns.

- (2) Represents short-term cash incentive amounts paid under our Profit Sharing Plan. No amounts were paid under our Profit Sharing Plan in 2015 or 2014. See the section subtitled “Compensation Discussion and Analysis” for a description of the short-term cash incentive amounts paid in 2016.
- (3) Consists of statutory severance accrued during the years ended December 31, 2016, 2015 and 2014, as applicable. See the section subtitled “Compensation Discussion and Analysis” for a description of the statutory severance benefit.
- (4) Includes the following personal benefits paid to Mr. YJ Kim for 2016: (a) \$144,851, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. YJ Kim’s housing lease; (b) \$37,662 for reimbursement of tuition expenses for Mr. YJ Kim’s children; (c) \$25,626 for Mr. YJ Kim’s home leave flights; (d) \$57,510 for insurance premiums; (e) \$44,701 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (f) \$148,395 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 2015; and (g) \$48,356 for reimbursement of Korean tax.
- (5) The amount of reimbursement of Korean tax that was included and described in “All Other Compensation” for fiscal year 2015 in the Company’s prior year’s filings of the Summary Compensation Table for Mr. YJ Kim was overstated by \$132,006 due to a calculation error, which also resulted in the “Total” amount being overstated by the same amount. Those actual amounts have now been corrected in this table for fiscal 2015.
- (6) Includes the following personal benefits paid to Mr. J. Kim for 2016: (a) \$21,728, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. J. Kim’s housing lease; (b) \$12,670 for Mr. J. Kim’s home leave flights; (c) \$35,956 for insurance premiums; (d) \$31,787 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$63,174 of reimbursement for the difference between the actual tax Mr. J. Kim already paid and the hypothetical tax he had to pay for the fiscal year 2015; and (f) \$3,564 for reimbursement of Korean tax.
- (7) Includes the following personal benefits paid to Mr. T. Kim for 2016: (a) \$56,479, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. T. Kim’s housing lease; (b) \$13,970 for Mr. T. Kim’s home leave flights; (c) \$27,802 for insurance premiums; (d) \$29,789 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$30,571 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 2015; and (f) \$7,885 for reimbursement of Korean tax.
- (8) The amount of reimbursement of Korean tax that was included and described in “All Other Compensation” for fiscal year 2015 in the Company’s prior year’s filings of the Summary Compensation Table for Mr. T. Kim was overstated by \$14,664 due to a calculation error, which also resulted in the “Total” amount being overstated by the same amount. Those actual amounts have now been corrected in this table for fiscal 2015.
- (9) Includes the following personal benefits paid to Mr. TJ Lee for 2016: (a) \$10,087 for insurance premiums; and (b) \$36,240 for other personal benefits (including personal use of a car service provided by the Company and living expenses).
- (10) Includes the following personal benefits paid to Mr. WM Lee for 2016: (a) \$7,191 for reimbursement of tuition expenses for Mr. WM Lee’s children; (b) \$10,220 for insurance premiums; and (c) \$17,825 for other personal benefits (including personal use of a car service provided by the Company and living expenses).

Grants of Plan-Based Awards Table for Fiscal Year 2016

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Share)(3)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold	Target	Maximum				
Young-Joon Kim	3/11/2016				23,625		130,646	
	3/11/2016	\$162,458	\$324,917	\$487,375		45,305	65,651	
Jonathan Kim	3/11/2016				18,225		100,784	
	3/11/2016	76,563	153,125	229,688		34,970	50,675	
Theodore Kim	3/11/2016				13,500		74,655	
	3/11/2016	72,188	144,375	216,563		25,870	37,488	
Tae Jong Lee	3/11/2016				13,500		74,655	
	3/11/2016	43,292	86,585	129,877		25,870	37,488	
Woung Moo Lee	3/11/2016				13,500		74,655	
	3/11/2016	51,951	103,902	155,852		25,870	37,488	

- (1) Represents service-vesting RSUs granted during fiscal year 2016 to our named executive officers. Further information on the RSU awards can be found in the “—Compensation Discussion & Analysis” section above.
- (2) Represents service-vesting stock options awarded to our named executive officers during fiscal year 2016. Further information on the service-vesting stock option awards can be found in the “—Compensation Discussion & Analysis” section above.
- (3) The per share exercise price of the named executive officers’ options was determined based on the fair market value per share of our common stock as of the grant date (\$5.53).
- (4) Represents the grant date fair value with respect to the fiscal year determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in the Original 10-K Filing for a discussion of the assumptions used to calculate the amounts in this column.

MagnaChip Semiconductor LLC 2009 Common Unit Plan

Following our emergence from our reorganization proceedings, in December 2009, our Board of Directors adopted, and our equityholders approved, the MagnaChip Semiconductor LLC 2009 Common Unit Plan, which we refer to as the 2009 Plan. The 2009 Plan provided for the grant of nonstatutory options, restricted unit bonus and purchase right awards, and deferred unit awards to employees and consultants of our Company and our subsidiaries and to members of our Board of Directors. However, only options and restricted unit bonus awards were granted under the 2009 Plan.

In connection with our corporate conversion at the time of our initial public offering in March 2011, MagnaChip Semiconductor Corporation assumed the rights and obligations of MagnaChip Semiconductor LLC under the 2009 Plan and converted MagnaChip Semiconductor LLC common unit options and restricted common units outstanding under the 2009 Plan into options to acquire a number of shares of our common stock and shares of restricted common stock at a ratio of eight-for-one on substantially equivalent terms and conditions. As of December 31, 2016, there were outstanding under the 2009 Plan options to purchase 524,399 shares of common stock, at a weighted average exercise price of \$6.44 per share. The 2009 Plan terminated immediately following our corporate conversion, and no additional options or other equity awards may be granted under the 2009 Plan. However, options granted under the 2009 Plan prior to its termination will remain outstanding until they are either exercised or expire.

The 2009 Plan is administered by the Committee. Subject to the provisions of the 2009 Plan, the Committee determined in its discretion the persons to whom and the times at which awards were granted, the sizes of such awards, and all of their terms and conditions. All awards were evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2009 Plan and awards granted under it.

In the event of a change in control of our Company, the vesting of all outstanding awards held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by a successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option.

2011 Equity Incentive Plan

Our 2011 Equity Incentive Plan, or the 2011 Plan, was approved by our Board of Directors and our stockholders in March 2010. We amended and restated the 2011 Plan in February 2011, and our stockholders approved the amendment in March 2011 to reflect that it became effective in 2011 upon our corporate conversion. 891,703 shares of our common stock, or the total number of shares of common stock (as adjusted by the conversion ratio in the corporate conversion) that remained available for grant upon the termination of the 2009 Plan immediately following the corporate conversion, were initially authorized and reserved.

As of December 31, 2016, there were outstanding under the 2011 Plan (a) restricted stock units with respect to 518,480 shares of common stock and (b) stock options to purchase 2,904,266 shares of common stock, at a weighted average exercise price of \$9.74 per share. As of December 31, 2016, 556,949 shares of our common stock remained available for issuance under the 2011 Plan. This reserve automatically increased on January 1, 2015, January 1, 2016 and January 1, 2017 by an additional 681,129, 691,378 and 700,840 shares, respectively, and will automatically increase each subsequent anniversary through 2021, by an amount equal to the smaller of 2% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or an amount determined by our Board of Directors. The number of shares authorized for issuance under the 2011 Plan will also be increased from time to time by up to that number of shares of common stock remaining subject to options and restricted stock awards outstanding under the 2009 Plan at the time of its termination immediately following the corporate conversion that expire or terminate or are forfeited for any reason after the effective date of the 2011 Plan, subject to a cap of 1,412,352 shares. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2011 Plan and in outstanding awards 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 awards granted under our 2011 Plan which expire, are repurchased, or are cancelled or forfeited will again become available for issuance under the 2011 Plan. The shares available will not be reduced by awards settled in cash. Shares withheld to satisfy tax withholding obligations will not again become available for grant. The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2011 Plan.

Awards may be granted under the 2011 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock-based awards to any eligible participant.

The 2011 Plan is administered by the Committee. Subject to the provisions of the 2011 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and

the holder of the award. The Committee has the authority to construe and interpret the terms of the 2011 Plan and awards granted under it.

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 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 of Directors who are not employees will automatically be accelerated in full. The 2011 Plan also authorizes the 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.

In 2016, the Board delegated to a special equity committee composed of our chief executive officer the authority to grant and administer RSU awards covering a total of 311,330 shares to approximately 1,100 nonunion employees of the Company (other than executive officers), with a maximum grant size of 1,000 shares per employee. Such RSUs vested on April 1, 2017.

2011 Employee Stock Purchase Plan

Our 2011 Employee Stock Purchase Plan, or the Purchase Plan, was approved by our Board of Directors in March 2010. Our Board of Directors amended and restated the Purchase Plan in February 2011 to reflect that the Purchase Plan would become effective in 2011 upon the commencement of the MagnaChip IPO. The Purchase Plan was approved by our stockholders in March 2011 and became effective upon the commencement of the MagnaChip IPO. We initially authorized and reserved 789,890 shares for sale under the Purchase Plan. In August 2012, the Committee suspended the Purchase Plan.

As of December 31, 2016, 1,163,880 shares of our common stock remained reserved for issuance under the Purchase Plan. In addition, 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 of Directors 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.

Our employees and employees of any parent or subsidiary corporation designated by the 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 Purchase Plan is 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 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 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 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 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 Committee, but the number of shares subject to outstanding purchase rights shall not be adjusted.

Outstanding Equity Awards at Fiscal Year End 2016

Name	Option Awards					Stock Awards	
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have not Vested (#)(9)	Market Value of Shares or Units of Stock That Have not Vested (\$)
Young-Joon Kim	5/6/2013	200,000(1)	— (1)	15.96	5/6/2023		
	6/9/2015	60,407(2)	30,203(2)	7.64	6/9/2025		
	6/9/2015					15,750(10)	97,650
	3/11/2016	— (3)	45,305(3)	5.53	3/11/2026		
	3/11/2016					23,625(11)	146,475
Jonathan Kim	3/12/2014	11,500(4)	1,000(4)	13.93	3/12/2024		
	6/12/2014	11,500(4)	1,000(4)	12.44	6/12/2024		
	9/12/2014	11,500(4)	1,000(4)	12.18	9/12/2024		
	12/12/2014	11,500(4)	1,000(4)	12.96	12/12/2024		
	6/9/2015	46,627(2)	23,313(2)	7.64	6/9/2025		
	6/9/2015					12,150(10)	75,330
	3/11/2016	— (3)	34,970(3)	5.53	3/11/2026		
	3/11/2016					18,225(11)	112,995
Theodore Kim	10/26/2013	50,000(5)	— (5)	21.79	10/26/2023		
	6/9/2015	34,493(2)	17,247(2)	7.64	6/9/2025		
	6/9/2015					9,000(10)	55,800
	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
	3/11/2016					13,500(11)	83,700
Tae Jong Lee	12/8/2009	49,000		5.88(8)	12/8/2019		
	1/15/2012	30,000(6)		7.75	1/15/2022		
	6/9/2015	29,293(2)	14,647(2)	7.64	6/9/2025		
	6/9/2015					7,650(10)	47,430
	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
	3/11/2016					13,500(11)	83,700
Woung Moo Lee	11/1/2013	50,000(7)	— (7)	19.56	11/1/2023		
	6/9/2015	29,293(2)	14,647(2)	7.64	6/9/2025		
	6/9/2015					7,650(10)	47,430
	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
					13,500(11)	83,700	

- (1) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on May 6, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (2) An installment of 50% of the shares of common stock subject to the options vested and became exercisable on June 9, 2015, with the remaining 50% vesting in three equal annual installments on the first three anniversaries of June 9, 2015. Any unvested options vest immediately upon a change in control.

- (3) The shares of common stock subject to the options will vest and become exercisable in three equal annual installments on the first three anniversaries of March 11, 2016. Any unvested options vest immediately upon a change in control.
- (4) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on March 12, 2015, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (5) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on October 26, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (6) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on January 15, 2013, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (7) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on November 1, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (8) The option exercise price at the time of grant was \$1.16 per common unit, or \$9.28 after giving effect to the corporate conversion. On April 19, 2010, we made a distribution to our unitholders of \$0.4254 per common unit, which resulted in the option exercise price being reduced to \$0.7346 per common unit, or \$5.88 after giving effect to the corporate conversion.
- (9) Represents unvested service-vesting RSUs granted on June 9, 2015 and March 11, 2016.
- (10) An installment of 50% of the shares of common stock subject to the RSUs vested on June 9, 2015, with the remaining 50% vesting in three equal annual installments on the first three anniversaries of June 9, 2015. Any unvested RSU vest immediately upon a change in control.
- (11) The shares of common stock subject to the RSUs will vest and become exercisable in three equal annual installments on the first three anniversaries of March 11, 2016. Any unvested RSUs vest immediately upon a change in control.

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting (\$)(2)
Young-Joon Kim	—	—	7,875	45,439
Jonathan Kim	—	—	6,075	35,053
Theodore Kim	—	—	4,500	25,965
Tae Jong Lee	—	—	3,825	22,070
Woung Moo Lee	—	—	3,825	22,070

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- (1) Represents RSUs that vested on June 9, 2016.
 - (2) Represents the value as of the date of vesting based on a share price of \$5.77.

Agreements with Executives and Potential Payments Upon Termination or Change in Control

We are obligated to make certain payments to our named executive officers upon termination or a change in control as further described below. The terms “cause” and “good reason” used below have the meanings given to them in the applicable agreements with us.

Young-Joon Kim. We entered into an Offer Letter with Mr. YJ Kim, dated as of April 15, 2013 and as amended on July 27, 2015, pursuant to which Mr. YJ Kim is entitled to an initial annual base salary of \$350,000 per year (subject to adjustment by our Board of Directors), a one-time signing bonus and relocation allowance of \$100,000, and an initial annual incentive bonus target of 80% (subject to adjustment by our Board of Directors) of his annual base salary based on company performance and attainment of management objectives under a plan established and approved by the Board of Directors. Mr. YJ Kim is also entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, on May 6, 2013, Mr. YJ Kim received an initial grant of an option to purchase an aggregate of 200,000 shares of the Company’s common stock at an exercise price of \$15.96, which vests and becomes exercisable over three years from the date of commencement of Mr. YJ Kim’s employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. YJ Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. YJ Kim’s Offer Letter. Under the Severance Agreement, if Mr. YJ Kim’s employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. YJ Kim will be entitled to receive (i) an amount equal to two times his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of expatriate benefits for 12 months following termination of employment, (v) continued reasonable use of our corporate club membership for 12 months following termination of employment, (vi) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. YJ Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. YJ Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. YJ Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. YJ Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Jonathan Kim. We entered into an Offer Letter with Mr. J. Kim, dated as of March 8, 2014, pursuant to which Mr. J. Kim will be paid an initial base salary of \$280,000 per year (subject to adjustment by our Board of Directors), a sign on bonus of \$50,000, a one-time relocation payment of \$50,000 and an annual incentive bonus

based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. J. Kim is entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, Mr. J. Kim will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock, which will be granted in four equal tranches during the nine-month period beginning on the commencement of his employment with MagnaChip Korea. The option grants will become vested and exercisable over three years from the date of commencement of Mr. J. Kim's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. J. Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. J. Kim's Offer Letter. Under the Severance Agreement, if Mr. J. Kim's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. J. Kim will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of expatriate benefits for 12 months following termination of employment, (v) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vi) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. J. Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. J. Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. J. Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. J. Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Theodore Kim. We entered into an Offer Letter with Mr. T. Kim, dated as of September 27, 2013, pursuant to which Mr. T. Kim will be paid an initial base salary of \$280,000 per year (subject to adjustment by our Board of Directors), and an initial annual incentive bonus of up to 30% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. T. Kim is entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, Mr. T. Kim will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock. The option grants will become vested and exercisable over three years from the date of commencement of Mr. T. Kim's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. T. Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. T. Kim's Offer Letter. Under the Severance Agreement, if Mr. T. Kim's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. T. Kim will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of

expatriate benefits for 12 months following termination of employment, (v) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vi) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. T. Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. T. Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. T. Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. T. Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Tae Jong Lee. We entered into an Offer Letter with Mr. TJ Lee, dated as of June 20, 2007, pursuant to which Mr. TJ Lee will be paid an initial base salary of 170,000,000 Korean won per year (subject to adjustment by our Board of Directors), a sign on bonus of 20,000,000 Korean won, a one-time relocation payment of 8,000,000 Korean won, and an initial annual incentive bonus with a target of 50% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. TJ Lee is entitled to customary employee benefits as well as a monthly housing allowance of 3,600,000 Korean won and an annual children's tuition reimbursement of up to 32,400,000 Korean won. Pursuant to his Offer Letter, Mr. TJ Lee will receive an initial grant of an option at a per share exercise price equal to the greater of \$3.00 or the then fair market value to purchase an aggregate of 40,000 shares of the Company's common stock. The option grants will become vested and exercisable over four years from the date of commencement of Mr. TJ Lee's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. TJ Lee, dated as of November 3, 2015, which supersedes the severance provisions in Mr. TJ Lee's Offer Letter. Under the Severance Agreement, if Mr. TJ Lee's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. TJ Lee will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) continued housing payments for 12 months following termination of employment and (iii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. TJ Lee with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. TJ Lee will also be entitled to receive an amount equal to his then current base salary, payable during the 12-month period following termination of employment. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. TJ Lee will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. TJ Lee must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Woung Moo Lee. We entered into an Offer Letter with Mr. WM Lee, dated as of October 16, 2013, pursuant to which Mr. WM Lee will be paid an initial base salary of 230,000,000 Korean won per year (subject to adjustment by our Board of Directors), and an initial annual incentive of up to 30% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. WM Lee is entitled to customary employee benefits. Pursuant to his Offer Letter, Mr. WM Lee will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock. The option grants will become vested and exercisable over three years from the date of commencement of Mr. WM Lee's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. WM Lee, dated as of November 3, 2015, which supersedes the severance provisions in Mr. WM Lee's Offer Letter. Under the Severance Agreement, if Mr. WM Lee's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. WM Lee will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment and (ii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. WM Lee with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. WM Lee will also be entitled to receive an amount equal to his then current base salary, payable during the 12-month period following termination of employment. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. WM Lee will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. WM Lee must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Potential Payments upon Termination or Change in Control

Termination. Our named executive officers are eligible to receive certain payments and benefits in connection with certain service termination events pursuant to the terms of our Severance Agreements with them, as further described under the section entitled "Agreements with Executives and Potential Payments Upon Termination or Change in Control." The terms "cause" and "good reason" used below have the meanings given to them in the applicable agreements with us.

Change in Control. The Committee has the authority to require that outstanding equity awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option. For purposes of the foregoing, a "change in control" is generally defined as the acquisition by a person or entity of more than 51% of the combined voting power of our then outstanding voting securities or a sale or transfer of all or substantially all of our consolidated assets to a person or entity that is not our affiliate. The Severance Agreements with our named executive officers each provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by such executive will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under such Severance Agreements is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of such Severance Agreement but not the 2011 Equity Incentive Plan.

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, 2016, and assuming a closing per share price of \$6.20 on December 31, 2016. The disclosure in the following table does not include:

- any accrued benefits that were earned and payable as of December 31, 2016; 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 \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	1,671,000	343,295	539,484(4)	2,553,779
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	2,228,000	343,295	568,238(5)	3,139,533
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—		—	
Change in Control (without termination of employment)	—	343,295	—	343,295

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.
- (4) Includes the following continuation of benefits and perquisites for Mr. YJ Kim: (a) \$144,851, which is housing expenses for Mr. YJ Kim’s housing lease; (b) \$37,662 for reimbursement of tuition expenses for Mr. YJ Kim’s children; (c) \$25,626 for Mr. YJ Kim’s home leave flights; (d) \$57,510 for insurance premiums; (e) \$77,084 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (f) \$148,395 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (g) \$48,356 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$28,754 of insurance premiums for extended 6 months of insurance coverage periods.

Jonathan Kim

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	700,000	265,054	211,656(4)	1,176,710
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	1,050,000	265,054	229,634(5)	1,544,687
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment)	—	265,054		265,054

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.
- (4) Includes the following continuation of benefits and perquisites for Mr. J. Kim: (a) \$21,728, which is housing expenses for Mr. J. Kim’s housing lease; (b) \$12,670 for Mr. J. Kim’s home leave flights; (c) \$35,956 for insurance premiums; (d) \$74,564 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$63,174 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (f) \$3,564 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$17,978 of insurance premiums for extended 6 months of insurance coverage periods.

Theodore Kim

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	660,000	196,125	164,256(4)	1,020,381
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	990,000	196,125	178,157(5)	1,364,281
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment)	—	196,125		196,125

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with

Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.

- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.
- (4) Includes the following continuation of benefits and perquisites for Mr. T. Kim: (a) \$56,479, which is housing expenses for Mr. T. Kim’s housing lease; (b) \$13,970 for Mr. T. Kim’s home leave flights; (c) \$27,802 for insurance premiums; (d) \$27,549 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$30,571 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (f) \$7,885 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$13,901 of insurance premiums for extended 6 months of insurance coverage periods.

Tae Jong Lee

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	291,991	185,786	23,345(4)	501,122
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	583,981	185,786	23,345(5)	793,112
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment) ...	—	185,786		185,786

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2016 benefits.
- (4) Represents housing expenses for Mr. TJ Lee’s housing lease.
- (5) Same as the amount of Note (4).

Woung Moo Lee

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	292,302	185,786	—	478,089
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	584,605	185,786	—	770,391
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment) . . .	—	185,786	—	185,786

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2016 benefits.

Pension Benefits for the Fiscal Year Ended December 31, 2016

In addition to the severance benefits described above, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident 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 officer’s salary for the prior three-month period. Accordingly, if the named executive officers in the following table had retired on the last day of our fiscal year ended December 31, 2016, they would have been entitled to the statutory severance payments described below. 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.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years of Credited Service (#)</u>	<u>Present Value of Accumulated Benefit (\$)</u>	<u>Payments During the Last Fiscal Year</u>
Young Joon Kim	Statutory Severance	4	163,374	—
Jonathan Kim	Statutory Severance	3	79,327	—
Theodore Kim	Statutory Severance	4	85,793	—
Tae Jong Lee	Statutory Severance	10	225,256	—
Woung Moo Lee	Statutory Severance	3	76,426	—

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

Equity Compensation Plan Table

The following table provides information as of December 31, 2016, regarding securities authorized for issuance under the Company's compensation plans. The Company's compensation plans include the 2009 Plan, the 2011 Plan, and the Purchase Plan. The numbers in the following table do not include options or shares that may be added to the issuable amounts under the 2011 Plan or the Purchase Plan, respectively, after December 31, 2016, in accordance with the terms of the respective plans.

<u>Plan Category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants or rights</u>	<u>(b) Weighted- average exercise price of outstanding options, warrants or rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	3,947,145(1)	\$9.23(1)	556,949(2)
Equity compensation plans not approved by security holders	—	—	—
<u>Total:</u>	3,947,145		556,949

- (1) Comprised of (a) stock options to purchase 524,399 shares of common stock under the 2009 Plan, at a weighted average exercise price of \$6.44 per share, (b) stock options to purchase 2,904, 266 shares of common stock under the 2011 Plan, at a weighted average exercise price of \$9.74 per share, and (c) 518,480 shares of common stock subject to restricted stock units under the 2011 Plan. 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, 2016, for future issuance under the suspended Purchase Plan.

For more information on our 2009 Plan, 2011 Plan and Purchase Plan, please see the narrative disclosure following "Executive Compensation—Grants of Plan-Based Awards for fiscal year 2016" above.

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 of Directors 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.

Members of the Committee:

Camillo Martino, Chair
Ilbok Lee
Gary Tanner
Nader Tavakoli

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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, shareholder 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.

Registration Rights Agreement

On November 9, 2009, we entered into a registration rights agreement with the holders of MagnaChip Semiconductor LLC's common units issued in our reorganization proceedings, including Avenue, where we granted them registration rights with respect to our common stock for which the Company may incur fees and expenses in connection with the exercise of such registration rights.

Exchangeable Notes Offering Stock Repurchase

On January 17, 2017, the Company's wholly-owned subsidiary, MagnaChip Semiconductor S.A. (the "Issuer"), closed an offering (the "Exchangeable Notes Offering") of \$86.25 million aggregate principal amount of the Exchangeable Senior Notes.

Engaged Capital Flagship Master Fund, LP ("Engaged Capital Flagship Master Fund"), a fund for whom Engaged Capital, LLC ("Engaged Capital") serves as investment advisor, and a managed account for which Engaged Capital serves as investment adviser (the "Engaged Capital Account"), purchased \$4,496,288 and \$503,712 principal amount of the Exchangeable Notes in the Exchangeable Notes Offering, respectively. As of May 15, 2017, funds managed by Engaged Capital beneficially own approximately 11.7% of the Company's common stock (subject to certain blocker provisions in the Exchangeable Notes that may limit conversion to an aggregate of 9.99% of the Company's common stock). In connection with the Exchangeable Notes Offering, the Company also repurchased 347,850 and 52,150 shares of the Company's common stock from Engaged Capital Flagship Master Fund and the Engaged Capital Account, respectively, at an aggregate purchase price of \$2.2 million and \$0.3 million, respectively.

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 5% of any class of our outstanding securities; (2) each member of our Board of Directors; (3) each of our named executive officers; and (4) all of the members of our Board of Directors and executive officers, as a group. The following tables list the number of shares and percentage of shares beneficially owned based on 33,951,995 shares of common stock outstanding as of May 15, 2017.

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 c/o MagnaChip Semiconductor, Ltd., 215 Daesin-ro, Hungduk-gu, Cheongju-si, Chungcheongbuk-do, 28429, Korea.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class(1)</u>
Principal Stockholders		
Funds managed by Brigade Capital Management, LP(2)	5,855,621	16.0%
Funds managed by Avenue Capital Management II, L.P.(3)	4,088,978	12.0%
Funds managed by Engaged Capital, LLC(4)	4,058,667	11.7%
Funds managed by North Run Advisors, LLC(5)	3,400,000	10.0%
Funds managed by Capital World Investors(6)	2,355,000	6.9%
Directors and Executive Officers		
Melvin Keating	6,500	*
Randal Klein(7)	—	—
Ilbok Lee(8)	176,876	*
Camillo Martino	8,000	*
Gary Tanner(9)	55,102	*
Nader Tavakoli(10)	190,626	*
Young-Joon Kim(11)	326,059	1.0%
Jonathan Kim(12)	156,389	*
Theodore Kim(13)	128,740	*
Tae Jong Lee(14)	168,865	*
Woung Moo Lee(15)	118,865	*
Directors and Officers as a group (11 persons)(16)	1,336,022	3.8%

* 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 May 15, 2017.
- (2) Based on the information contained in an Amendment No. 2 to Schedule 13G filed with the SEC on January 20, 2017 by Brigade Capital Management, LP (“Brigade Capital”), Brigade Capital Management GP, LLC (“Bridge Capital Management”), Brigade Leveraged Capital Structures Fund Ltd. (“Brigade Fund”) and Donald E. Morgan, III. Each of Brigade Capital, Brigade Capital Management, Bridge Fund and

Mr. Morgan may be deemed to beneficially own the shares of common stock listed in the table above and has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of such shares (except that Brigade Fund beneficially owns, and shares power to vote or to direct the vote and shares power to dispose or to direct the disposition of, 4,856,227 of such shares). The shares of common stock listed in the table above includes 5.00% Exchangeable Senior Notes due 2021 issued by MagnaChip Semiconductor S.A. (the “Exchangeable Senior Notes”) that are exchangeable at the option of the holder into 2,725,621 shares of our common stock. The Exchangeable Senior Notes are subject to a blocker provision that precludes Brigade Capital and its affiliates from converting the Exchangeable Senior Notes to the extent that Brigade Capital and its affiliates would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act) in excess of 12.49% of our common stock outstanding immediately after giving effect to such conversion. The business address of each of Brigade Capital, Bridge Capital Management and Mr. Morgan is 399 Park Avenue, 16th Floor, New York, New York 10022. The business address of Brigade Fund is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

- (3) Based on information contained in an Amendment No. 4 to Schedule 13G filed with the SEC on February 12, 2016 by Avenue Partners, LLC (“Avenue Partners”), Avenue Capital Management II, L.P. (“Avenue Capital Management”), Avenue Capital Management II GenPar, LLC (“Avenue Capital Management GenPar”) and Marc Lasry. Avenue Partners is the general partner of Avenue Investments, L.P. (“Avenue Investments”) and the sole shareholder of Avenue International Master GenPar, Ltd. (“Avenue International GenPar”), the general partner of Avenue International Master, L.P. (“Avenue International Master”), with respect to the common stock held by Avenue Investments and Avenue International, Ltd. (“Avenue International”). Avenue Capital Management is the investment manager to Avenue Investments, Avenue International, Avenue-CDP Global Opportunities Fund, L.P. (“Avenue-CDP”), Avenue PPF Opportunities Fund, L.P. (“Avenue PPF”), Avenue Special Situations Fund IV, L.P. (“Avenue Fund IV”), Avenue Special Situations Fund V, L.P. (“Avenue Fund V”) and Avenue Entrust Customized Portfolio SPC on behalf of and for the account of Avenue US/Europe Distressed Segregated Portfolio (“Avenue Entrust”) (collectively, the “Funds”). Avenue Capital Management GenPar is the general partner of Avenue Capital Management. Mr. Lasry is the managing member of Avenue Partners and Avenue Capital Management GenPar.

Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry beneficially own 4,088,978 shares of common stock through the Funds. The Funds ownership is as follows: Avenue Investments owns 722,264 shares of common stock, Avenue International owns 1,234,715 shares of common stock, Avenue-CDP owns 84,924 shares of common stock, Avenue Fund IV owns 496,023 shares of common stock, Avenue Fund V owns 619,115 shares of common stock, Avenue Entrust owns 119,747 shares of common stock and Avenue PPF owns 812,190 shares of common stock. Avenue Partners beneficially owns 1,956,979 shares of common stock through Avenue Investments and Avenue International Master.

Avenue International GenPar, Avenue Partners, Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry have the shared power to vote and dispose of the shares of common stock held by the Funds. The address for Avenue Partners, Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry is 399 Park Avenue, 6th Floor, New York, NY 10022.

- (4) Based on information contained in an Amendment No. 6 to Schedule 13D filed with the SEC on January 13, 2017 by (i) Engaged Capital Flagship Master Fund, LP (“Engaged Capital Flagship Master”), a Cayman Islands exempted limited partnership formerly known as Engaged Capital Master Feeder II, LP, with respect to the Shares directly and beneficially owned by it, (ii) Engaged Capital Flagship Fund, LP (“Engaged Capital Fund”), a Delaware limited partnership formerly known as Engaged Capital II, LP, as a feeder fund of Engaged Capital Flagship Master, (iii) Engaged Capital Flagship Fund, Ltd. (“Engaged Capital Offshore”), a Cayman Islands exempted company formerly known as Engaged Capital II Offshore Ltd., as a feeder fund of Engaged Capital Flagship Master, (iv) Engaged Capital, LLC, a Delaware limited liability company (“Engaged Capital”), as the general partner and investment adviser of Engaged Capital Flagship Master and the investment adviser of a certain managed account (the “Engaged Capital Account”), (v)

Engaged Capital Holdings, LLC, a Delaware limited liability company (“Engaged Holdings”), as the managing member of Engaged Capital and (vi) Glenn W. Welling, as the Founder and Chief Investment Officer (“CIO”) of Engaged Capital and the sole member of Engaged Holdings. Engaged Capital Flagship Master beneficially owns 3,649,798 of the shares of common stock listed in the table above, which includes 544,674 shares of common stock issuable upon the conversion of the Exchangeable Senior Notes. Engaged Capital Flagship Master and the Engaged Capital Account own Exchangeable Senior Notes convertible into 544,674 shares of our common stock and 61,019 shares of our common stock, respectively. The Exchangeable Senior Notes are subject to a blocker provision that precludes a holder and its affiliates from converting the Exchangeable Senior Notes to the extent that such holder and its affiliates would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act) in excess of 9.99% of our common stock outstanding immediately after giving effect to such conversion. Each of Engaged Capital Fund and Engaged Capital Offshore, as feeder funds of Engaged Capital Flagship Master, may be deemed to beneficially own the 3,649,798 shares beneficially owned directly by Engaged Capital Flagship Master. 347,850 of the shares of common stock listed in the table above were held in the Engaged Capital Account. Engaged Capital, as the general partner and investment adviser of Engaged Capital Flagship Master and the investment adviser of the Engaged Capital Account, may be deemed to beneficially own the common shares directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. Engaged Holdings, as the managing member of Engaged Capital, may be deemed to beneficially own the shares of common stock directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. Mr. Welling, as the Founder and CIO of Engaged Capital and sole member of Engaged Holdings, may be deemed to beneficially own the shares of common stock directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. By virtue of their respective positions with Engaged Capital Flagship Master, each of Engaged Capital Fund, Engaged Capital Offshore, Engaged Capital, Engaged Holdings and Mr. Welling may be deemed to have sole power to vote and dispose of the shares of common stock owned by Engaged Capital Flagship Master. By virtue of their respective positions with the Engaged Capital Account, each of Engaged Capital, Engaged Holdings and Mr. Welling may be deemed to have sole power to vote and dispose of the Shares held in the Engaged Capital Account. Each of Engaged Capital Flagship Master, Engaged Capital Fund, Engaged Capital Offshore, Engaged Capital, Engaged Holdings and Mr. Welling specifically disclaims beneficial ownership of the securities listed herein that he or it does not directly own. The business address of each of Engaged Capital Flagship Master and Engaged Capital Offshore is c/o Codan Trust Company (Cayman) Ltd., Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The business address of each of Engaged Capital Fund, Engaged Capital, Engaged Holdings and Mr. Welling is 610 Newport Center Drive, Suite 250, Newport Beach, California 92660.

- (5) Based on the information contained in a Schedule 13G filed with the SEC on February 12, 2016 by North Run Advisors, LLC (“North Run”), North Run Capital, LP (“North Run Capital”), Todd B. Hammer and Thomas B. Ellis. Each of North Run, North Run Capital, Mr. Hammer and Mr. Ellis may be deemed the beneficial owner of all of the shares of common stock listed in the table above and has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of such shares. The business address of each is One International Place, Suite 2401 Boston, MA 02110.
- (6) Based on information contained in an Amendment No. 1 to Schedule 13G filed with the SEC on February 13, 2017 by Capital World Investors (“Capital World”), a division of Capital Research and Management Company (“CRMC”). Capital World is deemed to be the beneficial owner of the shares of common stock listed in the table above as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital World may be deemed to have sole power to vote and dispose of the shares of common stock listed in the table above. One or more clients of Capital World have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares of common stock. Capital World holds more than five percent of the outstanding common stock as of December 30, 2016 on behalf of SMALLCAP World Fund, Inc. The business address for Capital World is 333 South Hope Street Los Angeles, CA 90071.
- (7) The address for Mr. Klein is 399 Park Avenue, 6th Floor, New York, NY 10022.

- (8) Represents 15,706 shares of common stock, options to purchase 154,856 shares of common stock and 6,314 shares of common stock subject to restricted stock units (“RSUs”) that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (9) Represents 5,408 shares of common stock, options to purchase 43,380 shares of common stock and 6,314 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (10) Represents 21,256 shares of common stock, options to purchase 163,056 shares of common stock and 6,314 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (11) Represents 27,575 shares of common stock, options to purchase 290,609 shares of common stock and 7,875 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (12) Represents 30,375 shares of common stock, options to purchase 119,939 shares of common stock and 6,075 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (13) Represents 22,500 shares of common stock, options to purchase 101,740 shares of common stock and 4,500 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (14) Represents 40,800 shares of common stock, options to purchase 124,240 shares of common stock and 3,825 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (15) Represents 19,800 shares of common stock, options to purchase 95,240 shares of common stock and 3,825 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.
- (16) Our directors and executive officers as of May 15, 2017 as a group beneficially own 1,336,022 shares of common stock or 3.8%, which represents 197,920 shares of common stock, options to purchase 1,093,060 shares of common stock and 45,042 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of July 14, 2017.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Compliance with Section 16(a) of the Exchange Act requires the Company’s executive officers and directors, and persons who own more than 10% of a registered class of its equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors, and greater than 10% stockholders are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during 2016 all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% stockholders were in compliance with Section 16(a), except that late Form 4 filings were filed on March 16, 2016 on behalf of Gary Tanner, Ilbok Lee, Nader Tavakoli, R. Douglas Norby (who was then serving as a director of the Company), Michael Elkins (who was then serving as a director of the Company), YJ Kim, J. Kim, T. Kim, Tae Jong Lee and Woung Moo Lee relating to a grant of restricted stock units and stock options made to each such director or officer on March 11, 2016.

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE CURRENT FISCAL YEAR

Samil PricewaterhouseCoopers has been selected by the Audit Committee as the principal independent registered public accounting firm for the current fiscal year for us and our subsidiaries. Our Board of Directors 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 current fiscal year. 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 or expected to be billed for professional services rendered by Samil PricewaterhouseCoopers and its affiliates for the years ended December 31, 2016 and 2015.

	Year Ended December 31	
	2016	2015
	(in millions)	
Audit fees	\$ 1.2	\$ 1.6
Audit Related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	<u>\$ 1.2</u>	<u>\$ 1.6</u>

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 of Directors recommends that you vote "FOR" the ratification of the appointment of Samil PricewaterhouseCoopers as our independent registered public accounting firm for the current fiscal year.

STOCKHOLDER PROPOSALS FOR 2018 ANNUAL MEETING

A stockholder who would like a proposal considered for inclusion in our proxy statement relating to our 2018 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 February 1, 2018 and must otherwise comply with Rule 14a-8.

Any stockholder proposals received outside of the Rule 14a-8 procedure for consideration at our 2018 annual meeting must be received by the Corporate Secretary of the Company between March 14, 2018 and April 13, 2018. If, however, the date of the 2018 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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, Attention: Secretary. 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 2018 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 March 14, 2018 and April 13, 2018. Notices should be submitted to the address set forth above.

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

May 31, 2017

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, 2016

or

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

For the transition period from _____ to _____
Commission File Number 001-34791



MagnaChip Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520

Luxembourg, Grand Duchy of Luxembourg
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (352) 45-62-62

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.01 per share

New York Stock Exchange

Preferred Stock Purchase Rights

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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. \$122,983,293.

As of January 31, 2017, the registrant had 33,252,894 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2017 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.

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MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2016
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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, 2016 (this “2016 Form 10-K” or 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.

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 Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for consumer, computing, communication, industrial, automotive and Internet of Things (“IoT”) applications. We provide technology platforms for analog, mixed-signal, power, high voltage, non-volatile memory, and Radio Frequency (“RF”) applications. We have a proven record of a 30-year operating history, large portfolio of approximately 2,198 registered novel patents and 166 pending novel patent applications and extensive engineering and manufacturing process expertise. Our business is comprised of two operating segments: Foundry Services Group and Standard Products Group. Our Foundry Services Group provides specialty analog and mixed-signal foundry services mainly for fabless and Integrated Device Manufacturer (“IDM”) semiconductor companies that primarily serve the consumer, computing, communication, industrial, automotive and IoT applications. Our Standard Products Group is comprised of two business lines: Display Solutions and Power Solutions. Our Display Solutions products provide flat panel display solutions to major suppliers of large and small flat panel displays. Our Power Solutions products include discrete and integrated circuit solutions for power management in consumer, communication and industrial applications.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our matured technology platform allow us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our design center and substantial manufacturing operations in Korea place us at the core of the global electronics device supply chain. We believe this enables us to quickly and efficiently respond to our customers’ needs and allows us to better serve and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology platform and develop products and services that are in high demand by our customers and end consumers. We sold over 2,000 distinct products in each of the years ended December 31, 2016 and December 31, 2015, with a substantial portion of our revenues derived from a concentrated number of customers. Our largest Foundry Services Group customers include some of the leading semiconductor companies that design analog and mixed-signal products for the consumer, computing, communication, industrial, automotive and IoT applications.

Our business is largely driven by innovation in the consumer electronics markets and the growing adoption by consumers worldwide of electronic devices for use in their daily lives. The consumer electronics market is large and growing rapidly, largely due to consumers increasingly accessing a wide variety of rich media content, such as high definition audio and video, mobile television 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 management semiconductors that increase power efficiency, thereby improving heat dissipation and extending battery life.

For the year ended December 31, 2016, we generated net sales of \$668.0 million, a net loss of \$29.6 million, Adjusted EBITDA of \$40.7 million and Adjusted Net Loss of \$4.5 million. See “Item 6. Selected Financial Data” and “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 and Adjusted Net Loss and a reconciliation to net income (loss) prepared in accordance with United States generally accepted accounting principles (“US 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. We refer to this acquisition as the “Original Acquisition.”

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.

Our Products and Services

Our Display Solutions line of products provide flat panel display solutions to major suppliers of large and small flat panel displays, and include MagnaChip sensor products for mobile applications, industrial applications and home appliances. These products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in ultra high definition (UHD), high definition (HD), full high definition (FHD), light emitting diode (LED), 3D and organic light emitting diodes (OLED) televisions and displays, notebooks and mobile communications and entertainment devices. Our Display Solutions line of products support the industry's most advanced display technologies, such as active matrix organic light emitting diodes (AMOLEDs), and low temperature polysilicon thin film transistor (LTPS TFT), as well as high-volume display technologies such as thin film transistors (a-Si TFTs). MagnaChip provides a range of intelligent sensor product families featuring 0.18 micron analog and mixed-signal technology with low power consumption. The MagnaChip sensor families target the growing market for applications ranging from smartphone, tablet PC and other consumer electronics to industrial devices. The MagnaChip sensor families include e-Compass sensors, digital Hall sensors and temperature and humidity sensors. Our Display Solutions products represented 41.0%, 32.7% and 28.6% of our net sales for the fiscal years ended December 31, 2016, 2015 and 2014, respectively.

We expanded our business and market opportunity by establishing our Power Solutions product line in late 2007. We have introduced a number of products for power management applications, including metal oxide semiconductor field effect transistors (MOSFETs), insulated gate bipolar mode transistor (IGBTs), power modules, AC-DC converters, DC-DC converters, LED driver, Solid State Drive (SSD) PMIC, switching regulators and linear regulators for a range of devices, including liquid crystal display (LCD), LED, 3D and UHD televisions, smartphones, mobile phones, desktop PCs, notebooks, tablet PCs, other consumer electronics, consumer appliance and industrial applications such as power suppliers, LED lighting and motor control. Our Power Solutions products represented 19.1%, 21.3% and 19.7% of our net sales for the fiscal years ended December 31, 2016, 2015 and 2014, respectively.

We also offer foundry services to fabless analog and mixed-signal semiconductor companies and IDMs that require differentiated, specialty analog and mixed-signal process technologies. Our process technologies are optimized for analog and mixed-signal devices and include standard complementary metal-oxide semiconductor (CMOS), high voltage CMOS, ultra-low leakage high voltage CMOS and bipolar complementary double-diffused metal oxide semiconductor (BCDMOS) and electronically erasable programmable read only memory (EEPROM). Our Foundry Services Group customers use us to manufacture a wide range of products, including display drivers, LED drivers, audio encoding and decoding devices, microcontrollers, touch screen controllers, RF switches, park distance control sensors for automotive, electronic tag memories and power management semiconductors. Our Foundry Services Group business represented 39.8%, 45.9% and 51.6% of our net sales for the fiscal years ended December 31, 2016, 2015 and 2014, respectively.

We manufacture the majority of our products at our three fabrication facilities located in Korea. We have approximately 466 proprietary process flows we can utilize for our products and offer to our Foundry Services Group customers. Our manufacturing base serves both our display driver and power management businesses and Foundry Services Group customers, allowing us to optimize our asset utilization and leverage our investments across our product and service offerings. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by design and process implementation expertise rather than the use of the most advanced equipment. These processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments.

In December 2014, we announced that our Board of Directors had adopted a plan to close our six-inch fabrication facility in Cheongju, South Korea (the “6-inch fab”). According to this plan, the 6-inch fab was closed on February 29, 2016. On April 4, 2016, we commenced a voluntary resignation program (the “Program”), which was available to certain manufacturing employees, including our 6-inch fab employees, through April 29, 2016.

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 television and games. 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 management 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 management 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 and manufacturing service providers:

- ***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, technologies, and manufacturing processes 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 can leverage a substantial intellectual property and technology base to accelerate product design and manufacturing when needed.
- ***Nimble, Stable and Reliable Manufacturing Services.*** Fabless semiconductor providers who rely on external manufacturing services often face rapidly changing product cycles. If these fabless companies are unable to meet the demand for their products due to issues with their manufacturing services providers, their profitability and market share can be significantly impacted. As a result, they prefer foundry service providers that can increase production quickly and meet demand consistently through periods of constrained industry capacity. Furthermore, many fabless semiconductor providers serving the consumer electronics and industrial sectors need specialty analog and mixed-signal manufacturing capabilities to address their product performance and cost requirements.

- **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 increasing regulatory focus on reducing energy consumption of consumer electronic products. As a result of 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 is 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 and Intellectual Property Platform.** We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry. Our long operating history, large patent portfolio, extensive engineering and manufacturing process expertise and wide selection of analog and mixed-signal intellectual property libraries allow us to leverage our technology and develop new products across multiple end markets. Our product development efforts are supported by a team of approximately 439 engineers. Our platform allows us to develop and introduce new products quickly as well as to integrate numerous functions into a single product. For example, we were one of the first companies to introduce a commercial AMOLED 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 platform in areas of strategic interest for our customers and focus on those products and services 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 and Service 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 and service offerings allow us to provide

additional products to new and existing customers and to cross-sell our products and services 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 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.

- ***Distinctive Analog and Mixed-Signal Process Technology Expertise and Manufacturing Capabilities.*** We have developed specialty analog and mixed-signal manufacturing processes such as high voltage CMOS, power and embedded memory. These processes enable us to flexibly ramp mass production of display, power and mixed-signal products, and shorten the duration from design to delivery of highly integrated, high-performance analog and mixed-signal semiconductors.
- ***Highly Efficient Manufacturing Capabilities.*** Our manufacturing strategy is focused on optimizing our asset utilization across our display driver and power management products as well as our foundry services, which enables us to maintain the price competitiveness of our products and services 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. We offer specialty analog process technologies that do not require substantial investment in leading edge, smaller geometry process equipment. We are able to utilize our manufacturing base over an extended period of time and thereby minimize our capital expenditure requirements.

Our Strategy

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

- ***Leverage Our Advanced Analog and Mixed-Signal Technology Platform to Innovate and Deliver New Products and Services.*** We intend to continue to utilize our extensive patent and technology portfolio, analog and mixed-signal design and manufacturing expertise and specific end-market applications and system-level design expertise to deliver products with high levels of performance by utilizing our systems expertise and leveraging our deep knowledge of our customers' needs.
- ***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. For example, two of our largest display driver customers have display modules in production using our power management products. These power management products have been purchased and evaluated via their key subcontractors for LCD backlight units and LCD integrated power supplies.
- ***Broaden Our Customer Base.*** We expect to continue to expand our global design centers, local application engineering support and sales presence, particularly in China, Hong Kong, Taiwan and Macau, or collectively, 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, especially to aid 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.

- ***Optimize Asset Utilization, Return on Capital Investments and 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. By utilizing our manufacturing facilities for both our Display Solutions and Power Solutions products and our Foundry Services Group customers, we seek to maximize return on our capital investments and our cash flow generation.

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. We seek to further build our technology platform through proprietary processes and selective licensing and acquisition of complementary technologies, as well as disciplined process improvements in our manufacturing operations. 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.

For example, in 2013, we introduced a range of intelligent sensor product families featuring 0.18 micron analog and mixed-signal technology with low power consumption. The MagnaChip sensor families include e-Compass and digital Hall sensors. MagnaChip's intelligent sensors provide cost-effective features such as small form-factor, multi-function integration and low power consumption as a result of its use of 0.18 micron analog and mixed-signal technology and advanced design capabilities.

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), which enables the manufacture of thinner displays. Our advanced display drivers incorporate LTPS TFT and AMOLED panel technologies that enable the highest resolution displays. Furthermore, we are developing a broad intellectual property portfolio to improve the power efficiency of displays, including the development of our contents-based automatic brightness control (CABC) and automatic current limit (ACL).

We have a long history of specialized process technology development and have a number of distinctive process implementations. We have approximately 466 process flows we can utilize for our products and offer to our Foundry Services Group customers. Our process technologies include standard CMOS, high voltage CMOS, ultra-low leakage high voltage CMOS, low noise CMOS with embedded BCD and BCDMOS and radio frequency silicon on insulator (RFSOI). Our manufacturing processes incorporate embedded memory solutions, such as static random access memory (SRAM), one-time programmable (OTP) memory, multiple-time programmable (MTP) memory, electrical fuse, EEPROM and single-transistor random access memory (1TRAM). More broadly, we focus extensively on processes that reduce die size across all of the products we manufacture, in order to deliver cost-effective solutions to our customers.

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 converters, DC-DC converters, linear regulators, regulators and analog switches and power MOSFETs. We believe our system-level understanding of applications such as LCD televisions and mobile phones will allow us to more quickly develop and customize power management solutions for our customers in these markets.

Products and Services by Business Line

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

Foundry Services

We provide foundry services to analog and mixed-signal semiconductor companies. We have approximately 466 process flows we offer to our Foundry Services Group customers. We also partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise.

Our Foundry Services Group targets customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, non-volatile memory and power. We refer to our approach of delivering specialized services to our customers as our application-specific technology strategy. We differentiate ourselves through the depth of our intellectual property portfolio, ability to customize process technology to meet the customers' requirements effectively, long history in this business and reputation for excellence.

Our Foundry Services Group customers vary from small fabless companies to large IDMs who serve consumer, computing, communication, industrial, automotive and IoT applications.

Process Technology Overview

- **Mixed-Signal.** Mixed-signal process technology is used in devices that require conversion of light and sound into electrical signals for processing and display. Our mixed-signal processes include advanced technologies such as low-noise process using triple gate, which uses less power at any given performance level.
- **Power.** Power process technology, such as BCD, includes high-voltage capabilities as well as the ability to integrate functionalities, such as self-regulation, internal protection and other intelligent features. Unique process features, such as deep trench isolation, are suited for chip shrink and device performance enhancement.
- **High Voltage CMOS.** High-voltage CMOS process technology facilitates the use of high-voltage levels in conjunction with smaller transistor sizes. This process technology includes several variations, such as bipolar processes, which use transistors with qualities well suited for amplifying and switching applications, mixed-mode processes, which incorporate denser, more power efficient FETs, and thick metal processes.
- **Non-Volatile Memory.** Non-volatile memory (NVM), process technology enables the integration of non-volatile memory cells that allow retention of the stored information even when power is removed from the circuit. This type of memory is typically used for long-term persistent storage.

The table below sets forth the key process technologies in Foundry Services Group that we currently offer to customers:

<u>Process</u>	<u>Technology</u>	<u>Device</u>	<u>Application</u>
Mixed-Signal	<ul style="list-style-type: none"> • 0.13-0.5µm • Low noise • Ultra low power • Triple gate • RF SOI 	<ul style="list-style-type: none"> • Analog to digital converter • Digital to analog converter • Audio codec • Chipset • RF switch • Digital tunable capacitor • Fingerprint sensor 	<ul style="list-style-type: none"> • Smartphones • Tablet PCs • Notebooks • PC peripherals • DVD players
Power	<ul style="list-style-type: none"> • 0.13*-0.35µm • BCD 40V-100V • Deep trench isolation • MOSFET • Schottky diode • Zener diode • Ultra high voltage • Thick metal 	<ul style="list-style-type: none"> • Power management • LED driver • High power audio amp • Power Over Ethernet • DC/DC converter 	<ul style="list-style-type: none"> • Smartphones • Tablet PCs • Notebooks • LCD TVs • LED lighting • LCD monitors • Automotive
High-Voltage CMOS	<ul style="list-style-type: none"> • 0.11-2.0µm • 5V-200V • Bipolar 	<ul style="list-style-type: none"> • Display driver • CSTN driver 	<ul style="list-style-type: none"> • Smartphones • Tablet PCs • LCD TVs • Desktop PCs • LCD monitors
NVM	<ul style="list-style-type: none"> • 0.13-0.5µm • EEPROM, Ultra low leakage • Slim flash* • eFlash • OTP • MTP 	<ul style="list-style-type: none"> • Microcontroller • Touch screen controller • Electronic tag memory • Hearing aid controller • Fingerprint sensor • Auto Focus IC* 	<ul style="list-style-type: none"> • Smartphones • Tablet PCs • Industrial applications • Medical equipment • Automotive

* In customer qualification stage

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), advanced intra panel interface (AIPI), mini-low voltage differential signaling (m-LVDS), unified standard interface for notebook and monitor (USI-GF), unified standard interface (USI), unified standard interface for TV (USI-T) and mobile industry processor interface (MIPI).
- **Package Type.** The assembly of display drivers typically uses chip-on-film (COF) and COG package types.

Large Display Solutions. We provide display solutions for a wide range of flat panel display sizes used in LCD televisions, including ultra-high definition televisions, or UHD TVs, FHD TVs, HD TVs, LED TVs, 3D TVs, OLED TVs, LCD monitors, notebooks, tablet PCs, public information displays and automotive.

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 1,440 channels. Our large display solutions are designed to allow customers to cost-effectively meet the increasing demand for high resolution displays. We focus 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 have recently introduced a number of new large display drivers with reduced die size.

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:

<u>Product</u>	<u>Key Features</u>	<u>Applications</u>
TFT-LCD Source Drivers	<ul style="list-style-type: none"> • 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, AIPi, USI interface technologies 	<ul style="list-style-type: none"> • UHD/HD/LED/3D TVs • Notebooks • LCD/LED monitors
TFT-LCD Gate Drivers	<ul style="list-style-type: none"> • 272 to 960 output channels • Output voltage ranging from 30V to 45V • COF and COG package types 	<ul style="list-style-type: none"> • Tablet PCs • HD/LED/3D TVs • Notebooks • Automotive
Timing Controllers	<ul style="list-style-type: none"> • Wide range of resolutions • EPI, m-LVDS, MIPI, USI-T interface technologies • Input voltage ranging from 1.6V to 3.6V 	<ul style="list-style-type: none"> • Tablet PCs • Public information display
AMOLED Source Drivers	<ul style="list-style-type: none"> • 960 output channels • 10 bit (1 billion colors) • Output voltage: 18V • COF package type • EPI interface technology 	<ul style="list-style-type: none"> • OLED TVs

Mobile Display Solutions. Our mobile display solutions incorporate the industry’s most advanced display technologies, such as AMOLED and LTPS, as well as high-volume technologies such as a-Si (amorphous silicon) 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 without having to migrate to smaller geometries. 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.

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:

<u>Product</u>	<u>Key Features</u>	<u>Applications</u>
AMOLED	<ul style="list-style-type: none"> • Resolutions of QHD, HD720, WXGA, FHD and WQHD* • Color depth of 16 million • MIPI, eRVDS interface • Logic-based OTP • ABC, ACL 	<ul style="list-style-type: none"> • Smartphones • Game consoles • Digital still cameras • Tablet PCs • Virtual reality headsets
LTPS	<ul style="list-style-type: none"> • Resolutions of VGA, WSVGA, WVGA and DVGA • Color depth of 16 million • MDDI, MIPI interface • Logic-based OTP • Separated gamma control 	<ul style="list-style-type: none"> • Smartphones • Digital still cameras
a-Si TFT	<ul style="list-style-type: none"> • Resolutions of WQVGA and HVGA • Color depth of 16 million • RSDS, MDDI, MIPI interface • CABC • Separated gamma control 	<ul style="list-style-type: none"> • Mobile phones • Digital still cameras • Automotive

* In customer qualification stage

We also provide a range of intelligent sensor product families featuring 0.18 micron analog and mixed-signal technology with low power consumption.

Power Solutions

We develop, manufacture and market power management solutions for a wide range of end-market customers. The products include MOSFETs, IGBTs, power modules, AC-DC converters, DC-DC converters, LED drivers, switching regulators and linear regulators, for a range of devices, including LCD, LED, 3D and UHD televisions, smartphones, mobile phones, desktop PCs, notebooks, tablet PCs, other consumer electronics, consumer appliances and industrial applications such as power suppliers, LED lighting and motor control.

- **MOSFETs.** Our MOSFETs include low-voltage Trench MOSFETs, 20V to 150V, high-voltage Planar MOSFETs, 200V through 700V, and super junction MOSFETs, 500V through 800V. MOSFETs are used in applications to switch, shape or transfer electricity under varying power requirements. The key application segments are smartphones, mobile phones, LCD, LED, 3D and UHD televisions, desktop PCs, notebooks, tablet PCs, servers, lighting and power supplies for consumer electronics 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 high power industrial applications, such as UPSs, power supplies, motor drives, solar inverters, welding machines and consumer appliances.
- **Power Modules.** Power modules are used in broad range of medium-to-high power industrial and consumer applications such as UPSs, power supplies, motor drives, solar inverters, welding machines and consumer appliances.

- **AC-DC Converters and DC-DC Converters.** We offer AC-DC and DC-DC converters targeting mobile applications and high power applications like LCD, LED, 3D and UHD televisions, notebooks, smartphones, mobile phones set-top boxes and display modules. We expect our AC-DC and DC-DC converters will meet customer green power requirements by featuring wide input voltage ranges, high efficiency and small size.
- **LED Drivers.** LED backlighting drivers serve the fast-growing LCD panel backlighting market for LCD, LED and 3D televisions, LCD monitors, 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.
- **Switching Regulators and Linear Regulators.** We also provide analog switching and linear regulators for mobile and consumer applications. Our products are designed for high efficiency and low power consumption in mobile applications.
- **SSD PMIC.** We also provide SSD PMIC for notebooks. Our product is designed for high frequency switching, high efficiency and pulse frequency modulation (PFM) function to reduce consumption power in low load of converters.

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:

<u>Product</u>	<u>Key Features</u>	<u>Applications</u>
Low Voltage MOSFET	<ul style="list-style-type: none"> • Voltage options of 12V-150V • Advanced Trench MOSFET Process • High cell density • Advanced packages to enable reduction of PCB mounting area 	<ul style="list-style-type: none"> • Smartphones and mobile phones • Tablet PCs • Notebooks • LCD/LED/3D/UHD TVs • Desktop PCs • Servers, Industrial applications
High Voltage MOSFET	<ul style="list-style-type: none"> • Voltage options of 200V-700V • R2FET (rapid recovery) option to shorten reverse diode recovery time • Zenor FET option for MOSFET protection for abnormal input • Advanced Planar MOSFET Process • Advanced packages to enable reduction of PCB mounting area 	<ul style="list-style-type: none"> • Adaptors for tablet PC/mobile phone/smartphone • Power supplies • Lighting (ballast, HID, LED) • Industrial applications • LCD/LED/3D/UHD TVs
Super Junction MOSFET	<ul style="list-style-type: none"> • Voltage options of 500V-800V • Low $R_{DS(ON)}$ • Epi stack process 	<ul style="list-style-type: none"> • LCD/LED/3D/UHD TVs • Lightings applications (ballast, HID, LED) • Smartphones • Power supplies • Servers • Industrial applications

<u>Product</u>	<u>Key Features</u>	<u>Applications</u>
IGBTs	<ul style="list-style-type: none"> • Voltage options of 650V/1200V • Field Stop Trench IGBT • Current options from 25A to 60A 	<ul style="list-style-type: none"> • Industrial applications • Consumer appliances
Power Modules	<ul style="list-style-type: none"> • Voltage options of 400V/600V/1200V • IGBT modules/FRD modules • Current options from 50A to 300A 	<ul style="list-style-type: none"> • Industrial applications • Consumer appliances
LED Backlighting Drivers	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Tablet PCs • Notebooks • Smartphones • LED/3D/UHD TVs • LED monitors
LED Lighting Drivers	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • AC and DC LED lighting
AC-DC Converter	<ul style="list-style-type: none"> • Wide control range for high power application (>150W) • Advanced BCDMOS process • High Precision Voltage Reference • Very low startup current consumption 	<ul style="list-style-type: none"> • LCD/LED/3D/UHD TVs • Power supplies
DC-DC Converters	<ul style="list-style-type: none"> • High efficiency, wide input voltage range • Advanced BCDMOS process • Fast load and line regulation • Accurate output voltage • OCP, SCP and thermal protections 	<ul style="list-style-type: none"> • LCD/LED/3D/UHD TVs • Smartphones • Mobile phones • Notebooks • Set-top boxes
Switching Regulators and Linear Regulators	<ul style="list-style-type: none"> • Single and multi-regulators • Low Noise Output regulators • Wide range of input voltage and various output current • CMOS and BCDMOS processes 	<ul style="list-style-type: none"> • Mobile phones • Notebooks

Product	Key Features	Applications
SSD PMIC	<ul style="list-style-type: none"> • High current buck • PFM function • High frequency switching • High efficiency • High integration technology • Small QFN package 	<ul style="list-style-type: none"> • Notebooks

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. For Foundry Services Group, we focus on analog and mixed-signal semiconductor companies who see the benefit of our innovative technology and cost structure. We believe our close collaboration with customers allows us to align our product and process 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. Our Foundry Services Group sales teams focus on marketing our services to analog and mixed-signal semiconductor companies that require specialty manufacturing processes.

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 in the United States, Japan, Greater China and Europe. We have a network of agents and distributors in Korea, the United States, Japan, Greater China and Europe. For the years ended December 31, 2016, 2015 and 2014, we derived 77%, 69% and 76% of net sales through our direct sales force, respectively, and 23%, 31% and 24% of net sales through our network of authorized agents and distributors, respectively.

Research and Development

Our research and development efforts focus on intellectual property, design methodology and process technology for our complex analog and mixed-signal semiconductor products and services. Research and development expenses for the years ended December 31, 2016, 2015 and 2014, were \$72.2 million, \$83.4 million and \$92.8 million, respectively, representing 10.5%, 13.2% and 13.3% of net sales, respectively.

Customers

We sell our Display Solutions and Power Solutions products and Sensor solutions to consumer, computing and industrial electronics OEMs, original design manufacturers and electronics manufacturing services companies, as well as subsystem designers. We sell our foundry services to analog and mixed-signal semiconductor companies. For the years ended December 31, 2016, 2015 and 2014, our ten largest customers accounted for 64%, 64% and 61% of our net sales, respectively. For the year ended December 31, 2016, sales to Samsung Display Corporation represented 23.5% of our net sales and 57.3% of our Display Solutions division's net sales, and sales to LG Display represented 11.4% of our net sales and 27.9% of our Display Solutions division's net sales. For the year ended December 31, 2015, sales to LG Display represented 15.2% of our net sales and 46.4% of our Display Solutions division's net sales, and sales to Samsung Display Corporation represented 11.0% of our net sales and 33.6% of our Display Solutions division's net sales. For the year ended December 31, 2014, sales to Samsung Display Corporation represented 11.4% of our net sales and 39.9% of our Display Solutions division's net sales, and sales to LG Display represented 10.7% of our net sales and 37.5% of our Display Solutions division's net sales. For the year ended December 31, 2016, we recorded revenues of \$33.2 million from customers in the United States and \$654.8 million from all foreign countries, of which 33.5%

was from Korea, 16.5% from Taiwan, 5.0% from the United Kingdom and 37.3% from Greater China. For the year ended December 31, 2015, we recorded revenues of \$51.2 million from customers in the United States and \$582.5 million from all foreign countries, of which 41.5% was from Korea, 18.5% from Taiwan, 6.4% from Japan and 28.0% from Greater China. For the year ended December 31, 2014, we recorded revenues of \$91.3 million from customers in the United States and \$606.9 million from all foreign countries, of which 43.9% was from Korea, 19.2% from Taiwan, 4.3% from Japan and 22.7% from Greater China.

Intellectual Property

As of December 31, 2016, our portfolio of intellectual property assets included approximately 3,020 registered patents and 414 pending patent applications. Approximately 2,198 and 166 of our patents and pending patents 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 1,070 registered and pending patents that relate to identical technical claims in our base patent portfolio. Our patents expire at various times approximately over the next 18 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.

We have entered into exclusive and non-exclusive licenses and development agreements with third parties relating to the use of intellectual property of the third parties in our products and design processes, including licenses related to embedded memory technology, design tools, process simulation tools, circuit designs and processor cores. Some of these licenses, including our agreements with Silicon Works Co., Ltd. and ARM Limited, are material to our business and may be terminated by the licensors prior to the expiration of these licenses should we fail to cure any breach under such licenses. Our license with Silicon Works Co., Ltd. relates to our large display drivers, and our license from ARM Limited primarily relates to product lines in our Foundry Services Group business. The loss of either license could have a material adverse impact on our results of operations. Additionally, in connection with the Original Acquisition, SK Hynix retained a perpetual license to use the intellectual property that we acquired from SK Hynix in the Original Acquisition. Under this license, SK Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

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, as well as companies providing specialty manufacturing services.

We compete based on design experience, manufacturing capabilities, the ability to service 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.

Employees

Our worldwide workforce consisted of 2,864 employees (full- and part-time) as of December 31, 2016, of which 418 were involved in sales, marketing, general and administrative, 439 in research and development (including 234 with advanced degrees), 116 in quality, reliability and assurance and 1,891 in manufacturing (comprised of 279 in engineering and 1,612 in operations). As of December 31, 2016, our workforce consisted of 2,864 employees, of which 1,743 employees, or approximately 61% of our workforce, were represented by the MagnaChip Semiconductor Labor Union.

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, adopted new 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 new 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 new regulations regarding the use of “conflict minerals” could limit the supply and increase the cost of certain raw materials used in manufacturing our products.”

Geographic Financial Information

For a description of the distribution of our net sales by geographic region, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of Years Ended December 31, 2016 and 2015—Net Sales by Geographic Region,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of Years Ended December 31, 2015 and December 31, 2014—Net Sales by Geographic Region” and “Note 17. Geographic and Segment Information” to our consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” included elsewhere in this Report.

Available Information

Our principal executive offices are located at: c/o MagnaChip Semiconductor S.A., 1, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg, and our telephone number is (352) 45-62-62. 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, 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.

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site, www.sec.gov, from which you can access our annual, quarterly and current reports on Forms 10-K, 10-Q and 8-K, respectively, and all amendments to these materials after such reports and amendments are filed with the SEC. In addition, you may request a copy of any of these filings, at no cost, by writing or telephoning us at the following address or phone number: c/o MagnaChip Semiconductor, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113, Attention: General Counsel and Secretary; the telephone number at that address is (408) 625-5999.

Executive Officers of the Company

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Young-Joon (YJ) Kim	52	Chief Executive Officer and Director
Jonathan Kim	42	Chief Financial Officer, Executive Vice President and Chief Accounting Officer
Theodore Kim	47	Chief Compliance Officer, Executive Vice President, General Counsel and Secretary
Tae Jong Lee	54	Executive Vice President and General Manager, Foundry Services Group
Woung Moo Lee	54	Executive Vice President and General Manager, Standard Products Group

Young-Joon (YJ) Kim, Chief Executive Officer and Director. Mr. YJ Kim became our director and Chief Executive Officer in May 2015, after serving as Interim Chief Executive Officer since May 2014. Mr. YJ Kim served as our General Manager, Semiconductor Manufacturing Services, from May 2015 to November 2015 and previously served as our General Manager, Display Solutions Division and Executive Vice President from May 2013 to May 2015. Prior to joining our Company, Mr. YJ Kim served at Cavium, Inc., a leading provider of semiconductor products that enable secure and intelligent processing for enterprise, datacenter, cloud, wired and wireless networking, from June 2006 to April 2013, most recently as Vice President, Infrastructure Processor Division, and General Manager at the Multi-Core Processor Group. Prior to Cavium, Mr. YJ Kim served as Core Team Lead and General Manager of Tolapai Program at Intel Corporation from August 2004 to June 2006. YJ Kim also served as Director of Marketing at Samsung Semiconductor, Inc. from June 1996 to May 1998. In 1988, Mr. YJ Kim began his career as a product engineer at Intel Corporation. In 1998, Mr. Kim cofounded API Networks, a joint venture between Samsung and Compaq specializing in alpha processors, where he served as the head of product management, worldwide sales and business development. Mr. YJ Kim has over 27 years of experience in the semiconductor industry, covering engineering, marketing, product development, strategic planning and general management for microprocessors, network processors, FLASH, EPROM, analog, mixed-signal, sensors, workstations and servers. Mr. YJ Kim holds B.S. and M.Eng degrees in Electrical Engineering from Cornell University.

Jonathan Kim (J. Kim), Chief Financial Officer, Executive Vice President and Chief Accounting Officer. Mr. J. Kim was appointed our Chief Financial Officer and Executive Vice President in May 2015, after serving as our Interim Chief Financial Officer, Chief Accounting Officer and Senior Vice President since March 2014. Prior to joining our company, Mr. J. Kim served since July 2010 as the Chief Financial Officer of StartForce,

Inc., a VC backed desktop virtualization company, which was acquired in February 2011 by ZeroDesktop, Inc., a leading developer of next-generation desktop virtualization and cloud computing solutions. Mr. J. Kim continued to serve as the Chief Financial Officer at ZeroDesktop through March 2014. Mr. J. Kim also served as a principal at a Silicon Valley based investment and advisory firm where he led investments in startup companies in the U.S. and Korea. Mr. J. Kim began his career in public accounting and held various positions with Deloitte for nearly 10 years, serving Global Fortune 500 and U.S. multinational publicly traded clients in the Technology, Media & Telecommunication sectors. Mr. J. Kim holds a B.A. degree in Business Administration from the Foster School of Business at the University of Washington and is a Certified Public Accountant.

Theodore Kim (T. Kim), Chief Compliance Officer, Executive Vice President, General Counsel and Secretary. Mr. T. Kim became our Chief Compliance Officer and Executive Vice President in May 2015, and became our General Counsel and Secretary in November 2013. Mr. T. Kim previously served as our Senior Vice President from November 2013 to May 2015. Prior to joining our Company, Mr. T. Kim served as Head Lawyer, Global Business Development at Samsung Fire & Marine Insurance from October 2012 to October 2013. Mr. T. Kim was employed by Gibson, Dunn & Crutcher LLP, 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. Mr. Kim holds a B.A. degree in Economics and a B.S. degree in Mechanical Engineering from the University of California, Irvine, and a J.D. degree from the University of California, Los Angeles, School of Law.

Tae Jong Lee, Executive Vice President and General Manager, Foundry Services Group. Mr. Tea Jong Lee became our General Manager, Foundry Services Group, in November 2015 and became our Executive Vice President in December 2011, after serving successively as Senior Vice President and Vice President and General Manager, Corporate Engineering, since September 2007. Prior to joining our Company, Mr. Lee served as Director of the Technology Development Division, Chartered Semiconductor Manufacturing, in Singapore from 1999 to August 2007. Mr. Lee holds B.S. and M.S. degrees from Seoul National University, and a Ph.D in Physics from the University of Texas at Dallas.

Woung Moo Lee, Executive Vice President and General Manager, Standard Products Group. Mr. Woung Moo Lee became our Executive Vice President and General Manager, Standard Products Group in November 2015. Mr. Lee previously served as our Senior Vice President, Korea Sales from 2013. Prior to joining our Company, Mr. Lee was one of the founding executives and served as Vice President, 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 “Proud Samsung Employee Award” in 2005 and holds a B.S. degree in Electronic Engineering from Inha University.

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.

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.

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.

We have experienced recent net losses and have relied on our cash reserves to fund our operations and implement our business plans and strategy. If we are unable to improve cash flows from operating activities or obtain additional capital to meet our liquidity and capital resource requirements to pursue our turnaround and growth strategies, our business and results of operations may be adversely affected.

In the past several quarters, we have experienced net losses from operations as we have begun to shift our business and operations to respond to changes in consumer and customer demands. As a result of these trends, as well as the extraordinary costs we have incurred and will continue to incur associated with our restatement of prior period financial data and related legal proceedings, we have experienced a deterioration of our cash reserves over the same period. If we continue to experience negative cash flows from operating activities, we will need to rely further on our cash reserves to fund our operations or seek additional capital. 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.

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

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 services and enhance our existing products and services to meet rapidly evolving customer requirements. We design products for customers who 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. If we do not continue to develop and maintain process technologies that are in demand by our Foundry Services Group customers, we may be unable to maintain existing customers or attract new customers.

Customer and market requirements can change during the development process. 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 or services 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 or service enhancements, may not be accepted in new or existing markets. Our business will suffer if we fail to develop and introduce new products and services or product and service enhancements on a timely and cost-effective basis.

Poor global economic conditions may negatively affect our future business, results of operations and financial condition. .

Recent macroeconomic news and global financial markets instability related to concerns over economic slowdown in China and other regions, as well as the global effects of falling crude oil prices, have created uncertainty which may negatively affect the demand for our products and services. Further deterioration in economic conditions in the markets in which we or our customers operate could lead to reduced consumer spending in the semiconductor market generally and our target markets specifically, which could cause U.S. and foreign businesses to slow spending on our products, lead to the distress or insolvency of key suppliers or customers, or impact the ability of our customers to obtain credit for purposes of purchasing our products. Any such sustained or worsening global economic conditions could materially and adversely affect our future business, results of operations and financial conditions.

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.

We depend 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 facilities. 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, low levels of customer orders, operating inefficiencies, 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 steps 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 would 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 or services, our financial results would be adversely affected. For the years ended December 31, 2016, 2015 and 2014, our ten largest customers accounted for 64%, 64% and 61% of our net sales, respectively. For the year ended December 31, 2016, sales to Samsung Display Corporation represented 23.5% of the Company's net sales and 57.3% of our Display Solutions division's net sales, and sales to LG Display represented 11.4% of the Company's net sales and 27.9% of our Display Solutions division's net sales. For the year ended December 31, 2015, sales to LG Display represented 15.2% of the Company's net sales and 46.4% of our Display Solutions division's net sales, and sales to Samsung Display Corporation represented 11.0% of the Company's net sales and 33.6% of our Display Solutions division's net sales. For the year ended December 31, 2014, sales to Samsung Display Corporation represented 11.4% of the Company's net sales and 39.9% of our Display Solutions division's net sales, and sales to LG Display represented 10.7% of the Company's net sales and 37.5% of our Display Solutions division's net sales. For the year ended December 31, 2016, we recorded revenues of \$33.2 million from customers in the United States and \$654.8 million from all foreign countries, of which 33.5% was from Korea, 16.5% from Taiwan, 5.0% from the United Kingdom and 37.3% from Greater China. 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 or services within a short period of time would 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;
- our ability to enter the highly competitive power management market; and
- our ability to continue to offer in demand foundry services at competitive prices.

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.

In addition, we collaborate and jointly develop certain process technologies and manufacturing process flows customized for certain of our Foundry Services Groups customers. To the extent that our Foundry Services Group customers fail to achieve market acceptance for their products, we may be unable to recoup our engineering resources commitment and our investment in process technology development, which would harm our business.

Research and development investments may not yield profitable and commercially viable product and service offerings 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 commercially viable products or enhance our foundry services offerings. During each stage of research and development, there is a substantial risk that we will have to abandon a potential product or service offering that is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products or service offerings, 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 and services, increase business with existing customers, broaden our customer base, aggressively grow our power business, drive execution excellence and focus on specialty process technologies. 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 years ended December 31, 2016 and 2015. 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, 2016, the outstanding intercompany loan balance including accrued interests between our Korean subsidiary and our Dutch subsidiary was \$598 million. Our Dutch subsidiary uses 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 stock or the price of the Exchangeable Notes (defined below) or the 2021 Notes 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, 2016, 1,743 employees, or approximately 61% of our employees, were represented by the MagnaChip Semiconductor Labor Union. 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 manufacture 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 manufacture of our products or those of our Foundry Services Group customers, 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 skill and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea, China, Philippines, Singapore, Thailand and Austria. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels. We could be adversely affected by political disorders, labor disruptions and natural disasters where our subcontractors are located. If our semiconductor packagers and test service providers experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems or decrease the capacity available to us, our operating results could be adversely affected.

We cooperate with independent foundries to produce certain advanced technology Display 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 AMOLED Display Solutions products that require more advanced technology than is available in our fabrication facilities. 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.

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. We do not have long-term agreements providing for all of these materials; thus, 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, were constrained in recent years due to an increased demand for silicon. Silicon is also a key raw material for solar cells, the demand for which has increased in recent years. Although supplies of silicon have recently improved due to the entrance of additional suppliers and capacity expansion by existing suppliers, we cannot assure that such 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. 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.

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. The 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 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 United States 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 United States. 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 United States. 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 in the United States 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. 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 us, 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, such as our agreements with Silicon Works Co., Ltd. and ARM Limited, would materially and adversely affect our business.

Our expenses could increase if SK Hynix were unwilling or unable to provide certain services related to our shared facilities with SK Hynix, and if SK Hynix were to become insolvent, we could lose certain of our leases.

We are party to a land lease and easement agreement with SK Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea. If this agreement were terminated for any reason, including the insolvency of SK Hynix, we would have to renegotiate new lease terms with SK Hynix or the new owner of the land. We cannot assure that we will be able to negotiate new lease terms on favorable terms or at all. Because we share certain facilities with SK Hynix, several services that are essential to our business are provided to us by or through SK Hynix under our general service supply agreement with SK Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. If any of our agreements with SK Hynix were terminated or if SK Hynix were unwilling or unable to fulfill its obligations to us under the terms of these agreements, we would have to procure these services on our own and as a result may experience an increase in our expenses.

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 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. 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 regulation, 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. 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.

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. Also, additional capital may not be available when needed or, if available, may not be available on favorable terms. In addition, our indebtedness limits our ability to incur additional indebtedness under certain circumstances. If we are unable to obtain capital on favorable terms, or if we are unable to obtain capital at all, we may have to reduce our operations or forego opportunities, and this may have a material adverse effect on our business, financial condition and results of operations.

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, 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. 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, such as an outbreak of military hostilities, would adversely affect our business, financial condition and results of operations.

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, since the death of Kim Jong-il, the former North Korean ruler, in mid-December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son,

Kim Jong-eun, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain. In addition, 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. Some of the significant incidents in recent years include the following:

- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone.
- In January 2016, North Korea claimed that it had successfully conducted a nuclear bomb test. In February 2016, North Korea launched what it claimed was a satellite rocket, but what is viewed by others as a front for a ballistic missile test that could ultimately be used to carry nuclear bomb. In response to the launch, it has been reported that Korea and the United States are discussing the deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system to United States forces stationed in Korea. It has been reported that the United Nations Security Council adopted a unanimous resolution condemning the missile launch.
- Following North Korea's nuclear bomb test and rocket launch, in February 2016, the Korean government announced that it will shut down Kaesong Industrial Complex, a joint venture area with North Korea where over 100 South Korean companies run manufacturing facilities. North Korea responded by declaring Kaesong Industrial Complex a military control zone, ordering South Koreans to leave the complex, and forbidding them to take assets other than personal belongings. The shutdown is the second one since operations commenced at Kaesong Industrial Complex in 2005; the complex had been shut down once before, for five months in 2013. In addition, North Korea cut off all 48 telephone lines between North Korean and South Korean agencies.

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.

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 United States and some of our directors and executive officers as well as our independent auditors are organized or reside outside of the United States. Most of our and our subsidiaries' assets are located outside of the United States and in particular, in Korea. Accordingly, any judgment obtained in the United States against us or our subsidiaries may not be collectible in the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or us court judgments obtained in the United States that are predicated upon the civil liability provisions of the federal securities laws of the United States or of the securities laws of any state of the United States. In particular, there is doubt as to the enforceability in Korea or any other jurisdictions outside the United States, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the federal securities laws of the United States or the securities laws of any state of the United States.

Our level of indebtedness is substantial, and we may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. A decline in the ratings of our existing or future indebtedness may make the terms of any new indebtedness we choose to incur more costly.

As of December 31, 2016, our total indebtedness was \$224.3 million, which represents the principal amount outstanding under our 6.625% Senior Notes due 2021, excluding \$3.2 million of unamortized discount and debt issuance costs. In January 2017, we incurred \$86.25 million of additional indebtedness, which represents the aggregate principal amount of 5.00% Exchangeable Senior Notes due 2021 (“Exchangeable Notes”) issued by MagnaChip Semiconductor S.A. We are permitted under the indentures governing our outstanding Exchangeable Notes and 2021 Notes to incur additional debt under certain conditions, including additional secured debt. If new debt were to be incurred in the future, the related risks that we now face could intensify. Our substantial debt could have important consequences, including:

- resulting in an event of default if we fail to satisfy our obligations under our outstanding debt or fail to comply with the financial or other restrictive covenants contained in the indentures governing our outstanding Exchangeable Notes and 2021 Notes or agreements governing our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on the assets securing any such debt;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who have less debt; and
- negatively affecting our ability to fund a change of control offer.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure that we will generate a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

The credit ratings assigned to our debt reflect each rating agency’s opinion of our ability to make payments on the debt obligations when such payments are due. A rating may be subject to revision or withdrawal at any time by the assigning rating agency. We may experience downgrades in our debt ratings in the future. Any lowering of our debt ratings would adversely impact our ability to raise additional debt financing and increase the cost of any such financing that is obtained. In the event any ratings downgrades are significant, we may choose not to incur new debt or refinance existing debt if we are unable to incur or refinance such debt at favorable interest rates or on favorable terms.

If our cash flows and capital resources are insufficient to fund our debt service obligations or if we are unable to refinance existing indebtedness on favorable terms, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and thus render us unable to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The indentures governing our outstanding Exchangeable Notes and 2021 Notes restrict our ability to dispose of assets and use

the proceeds from the disposition. We may not be able to consummate those dispositions or be able to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

We are a holding company and will depend on the business of our subsidiaries to satisfy our obligations under our outstanding Exchangeable Notes and 2021 Notes and other obligations.

We are a holding company with no independent operations of our own. Our subsidiaries conduct substantially all of the operations necessary to fund payments on our outstanding Exchangeable Notes and 2021 Notes, other debt and any other obligations. Our ability to make payments on our outstanding Exchangeable Notes and 2021 Notes and our other 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 our debt agreements (including the indentures governing our outstanding Exchangeable Notes and 2021 Notes) and the 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 MagnaChip Korea that would restrict its ability to make payments on intercompany loans from MagnaChip Semiconductor B.V.

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 or that any distributions or payments will be adequate to pay principal and interest, and any other payments, on our outstanding Exchangeable Notes and 2021 Notes, other debt or any other obligations when due, and the failure to make such payments could have a material adverse effect on our business, financial condition and results of operations.

Restrictions on MagnaChip Korea's ability to make payments on its intercompany loans from MagnaChip Semiconductor B.V., or on its ability to pay dividends in excess of statutory limitations, could hinder our ability to make payments on our outstanding Exchangeable Notes and 2021 Notes.

We anticipate that payments under the notes and our outstanding Exchangeable Notes and 2021 Notes will be funded in part by MagnaChip Korea's repayment of its existing loans from MagnaChip Semiconductor B.V., with MagnaChip Semiconductor B.V. using such repayments in turn to repay the loans owed to MagnaChip Semiconductor S.A., which will repay loans owed to us. Under the Korean Foreign Exchange Transaction Act, the minister of the Ministry of Strategy and Finance is authorized to temporarily suspend payments in foreign currencies in the event of natural calamities, wars, conflicts of arms, grave and sudden changes in domestic or foreign economic conditions, or other similar situations. In addition, under the Korean Commercial Code, a Korean company is permitted to make a dividend payment in accordance with the provisions in its articles of incorporation out of retained earnings (as determined in accordance with the Korean Commercial Code and the generally accepted accounting principles in Korea), but no more than twice a year. If MagnaChip Korea is prevented from making payments under its intercompany loans due to restrictions on payments of foreign currency or if it has an insufficient amount of retained earnings under the Korean Commercial Code to make dividend payments to MagnaChip Semiconductor B.V., we and MagnaChip Semiconductor S.A. may not have sufficient funds to make payments on the notes or our outstanding Exchangeable Notes and 2021 Notes.

The indentures governing the notes, our outstanding Exchangeable Notes and 2021 Notes contains, and our future debt agreements will likely contain, covenants that significantly restrict our operations.

The indentures governing the notes and our outstanding Exchangeable Notes and 2021 Notes contain, and our future debt agreements will likely contain, numerous covenants imposing financial and operating restrictions

on our business. These restrictions may affect our ability to operate our business, may limit our ability to take advantage of potential business opportunities as they arise and may adversely affect the conduct of our current business, including by restricting our ability to finance future operations and capital needs and by limiting our ability to engage in other business activities. These covenants will place restrictions on our ability and the ability of our operating subsidiaries to, among other things:

- pay dividends, redeem shares or make other distributions with respect to equity interests, make payments with respect to subordinated indebtedness or other restricted payments;
- incur debt or issue preferred stock;
- create liens;
- make certain investments;
- consolidate, merge or dispose of all or substantially all of our assets, taken as a whole;
- sell or otherwise transfer or dispose of assets, including equity interests of our subsidiaries;
- enter into sale-leaseback transactions;
- enter into transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

In addition, our future debt agreements will likely contain financial ratios and other financial conditions tests. Our ability to meet those financial ratios and tests could be affected by events beyond our control, and we cannot assure that we will meet those ratios and tests. A breach of any of these covenants could result in a default under such debt agreements. Upon the occurrence of an event of default under such debt agreements, our lenders under such agreements could elect to declare all amounts outstanding under such debt agreements to be immediately due and payable and terminate all commitments to extend further credit.

We may not have the ability to raise the funds necessary to repurchase the Exchangeable Notes upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the Exchangeable Notes.

Holders of the Exchangeable Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the Exchangeable Notes to be repurchased, plus accrued and unpaid interest, if any. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Exchangeable Notes surrendered therefor. In addition, our ability to repurchase the Exchangeable Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Exchangeable Notes at a time when the repurchase is required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of our then-existing indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Exchangeable Notes.

A fundamental change may adversely affect us.

A fundamental change could have a negative effect on us and the trading price of the common stock and Exchangeable Notes. Furthermore, the fundamental change provisions, including the provisions requiring the increase in the exchange rate for exchanges in connection with a fundamental change prior to the maturity date, may in certain circumstances make it more difficult or discourage a takeover of our company and the removal of incumbent management.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We have a history of losses and may not achieve or sustain profitability in the future.

From the time we began operations as a separate entity in 2004 until we emerged from our 2009 reorganization proceedings under Chapter 11 of the United States Bankruptcy Code, which we refer to as our “reorganization proceedings”, we generated significant net losses and did not generate a profit for a full fiscal year. In addition, since 2013, we have again had substantial net losses despite some improvements made in 2016. We may increase spending to support increased research and development and sales and marketing efforts. These expenditures may not result in increased revenue or an increase in the number of customers immediately or at all. Because many of our expenses are fixed in the short term, or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. If we cannot maintain profitability, the value of the enterprise may decline.

Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.

Despite our current consolidated debt levels, we and our subsidiaries, including the Issuer, may be able to incur substantial additional debt in the future, some of which may be secured debt, subject to the restrictions contained in our debt instruments. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

We may need to incur impairment and other restructuring 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 or restructuring charges. From November 9, 2009, the date we emerged from Chapter 11 reorganization proceedings, through December 31, 2016, we recognized aggregate restructuring and impairment charges of \$24.1 million, which consisted of \$21.2 million of impairment charges and \$2.9 million of restructuring 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.

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, our 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.

Our Rights Plan and 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.

On March 5, 2015, our Board of Directors adopted a stockholder rights plan (the "Rights Plan") and declared a dividend of one preferred stock purchase right on each share of the Company's common stock

outstanding at the close of business on March 16, 2015. The Company amended the Rights Plan on March 2, 2016 and September 2, 2016. As amended, each right will entitle the holder to purchase one one-thousandth of a share of our Series A Junior Participating Preferred Stock. Under certain circumstances, if a person or group acquires 12.5% (or 20% in the case of a passive institutional investor) or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase for each share of common stock owned, \$12 worth of shares of the Company's common stock having a market value of twice such price. The rights expire in March 2017 unless extended by our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to acquire us without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding such acquisition.

In addition, 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 do not intend to pay dividends for the foreseeable future, and therefore, investors should rely on sales of their common stock as the only way to realize any future gains on their investments.

We do not intend to pay any cash dividends in the foreseeable future. The payment of cash dividends on common stock is restricted under the terms of the indentures for our outstanding Exchangeable Notes and 2021 Notes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, 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 consist of three fabrication facilities located in Korea at two sites in Cheongju and one in Gumi. Our facilities have a combined capacity of approximately 115,000 eight-inch equivalent wafers per month. We manufacture wafers utilizing geometries ranging from 0.11 to 0.50 microns. The Cheongju facilities have three main buildings totaling 164,058 square meters devoted to manufacturing and development. The Gumi facility has one main building with 41,022 square meters devoted to manufacturing, testing and packaging.

In addition to our fabrication facilities, we lease facilities in Seoul, Korea, and San Jose, California. 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.

A substantial majority of our assembly, test and packaging services for our Display Solutions business and all of such services for our Power Solutions business are outsourced with the balance handled in-house. Our independent providers of these services are located in Korea, China, Philippines, Singapore, Thailand and Austria. 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.

Although we own our manufacturing facilities, we are party to a land lease and easement agreement with SK Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea from SK Hynix for an

indefinite term. Because we share certain facilities with SK Hynix, several services that are essential to our business are provided to us by or through SK Hynix under our general service supply agreement with SK Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. The services agreement continues for an indefinite term subject to each party having a right to terminate in the event of an uncured breach by the other party.

Item 3. Legal Proceedings

Securities Class Action Complaints

On March 12, 2014, a purported class action was filed against the Company and certain of the Company's now-former officers. On April 21, 2015, a related purported class action lawsuit (Okla. Police Pension & Retirement Sys. v. MagnaChip Semiconductor Corp., et al., No. 3:15-cv-01797) was filed against the Company, certain of the Company's current directors and former and now-former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings. On June 15, 2015, these two class action lawsuits were consolidated. On June 26, 2015, an amended complaint was filed in the consolidated action, against the Company, certain of the Company's current directors and former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings on behalf of a putative class consisting of all persons other than the defendants who purchased or acquired the Company's securities between February 1, 2012 and February 12, 2015 and a putative subclass consisting of all purchasers of the Company's common stock pursuant to or traceable to a shelf registration statement and prospectus issued in connection with the Company's February 6, 2013 public stock offering. The consolidated amended complaint asserted claims on behalf of the putative class for (i) alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by the Company and certain of the Company's current directors and former officers, (ii) alleged violations of Section 20(a) of the Exchange Act by certain of the Company's current directors and former officers, and (iii) alleged violations of Sections 20(a) and 20(A) of the Exchange Act by a shareholder. The consolidated amended complaint also asserted claims on behalf the subclass for (i) alleged violations of Section 11 of the Securities Act by the Company, certain of the Company's current directors and former officers, and certain financial firms that acted as underwriters of the Company's public stock offerings, (ii) alleged violations of Section 12 of the Securities Act by the Company, certain of the Company's current directors and former officers, a shareholder of the Company, and certain financial firms that acted as underwriters of the Company's public stock offerings, (iii) alleged violations of Section 15 of the Securities Act by the Company, certain of the Company's former officers, and a shareholder of the Company.

On December 10, 2015, the Company and certain of its current and former officers and directors entered into a Memorandum of Understanding with the plaintiffs' representatives to memorialize an agreement in principle to settle the consolidated securities class action lawsuit, Thomas, et al. v. MagnaChip Semiconductor Corp. et al., Civil Action No. 3:14-CV-01160-JST, pending in the United States District Court for the Northern District of California (the "Class Action Litigation"). On February 5, 2016, the plaintiffs in the consolidated securities class action filed a motion for preliminary approval of the settlement, as well as the stipulation and agreement of settlement and related exhibits. The stipulation and agreement of settlement provided that all claims asserted against all defendants in the Class Action Litigation except for Avenue Capital Management II, L.P. would be released. The stipulation and agreement of settlement also provided for an aggregate settlement payment by the Company of \$23.5 million, which would include all attorneys' fees, costs of administration and plaintiffs' out-of-pocket expenses, lead plaintiff compensatory awards and disbursements. The settlement also included the dismissal of all claims against the Company and the named individuals in the Class Action Litigation without any liability or wrongdoing attributed to them.

On April 13, 2016, the plaintiffs filed a renewed motion for preliminary approval of the settlement. On July 18, 2016, the court granted plaintiffs' renewed motion for preliminary approval of the settlement. On October 17, 2016, plaintiffs filed their motions for final approval of the settlement and plan of allocation of the settlement and for an award of attorneys' fees, reimbursement of litigation expenses, and reimbursement of the costs and expenses of Lead Plaintiff Keith Thomas. On December 1, 2016, following a hearing on November 21, 2016 and an order dated November 21, 2016, the court entered a supplemental order and final judgment (the "Judgment") granting final approval of the settlement. The Judgment was not appealed within the applicable appeals period (on or before January 3, 2017). The settlement therefore became effective after the expiration of the appeals period. The settlement was fully funded by insurance proceeds.

SEC Enforcement Staff Review

In addition, in March 2014, the Company voluntarily reported to the SEC that the Company's Audit Committee had determined that the Company incorrectly recognized revenue on certain transactions and as a result would restate its financial statements, and that the Audit Committee had commenced the independent investigation. Over the course of 2014 and in the first two quarters of 2015, the Company voluntarily produced documents to the SEC regarding the various accounting issues identified during the independent investigation, and whether the Company's hiring of an accountant from the Company's independent registered public accounting firm impacted that accounting firm's independence. On July 22, 2014, the Staff of the SEC's Division of Enforcement obtained a Formal Order of Investigation. On March 12, 2015, the SEC issued a subpoena for documents to the Company in connection with this investigation. The Company will continue to cooperate with the SEC in this investigation, and has produced documents in response to the subpoena. At this time, the Company is unable to estimate any reasonably possible loss, or range of reasonably possible losses, with respect to the matters described above. This is primarily because these matters involve complex legal and factual issues subject to uncertainty. There can be no assurance that these matters will be resolved in a manner that is not adverse to the Company.

Shareholder Derivative Complaints

A shareholder derivative action, styled *Hemmingson et al. v. Elkins et al.*, Case No. 1-15-cv-278614, was filed in the Superior Court of the State of California in and for Santa Clara County on March 25, 2015, naming as defendants certain of the Company's current directors and former and now-former officers, as well as a shareholder of the Company, and naming the Company as a nominal defendant. The complaint in this action asserted claims for (i) alleged breaches of fiduciary duty by certain of the Company's current directors and former and now-former officers for purportedly knowingly failing to maintain adequate internal controls over its accounting and reporting functions and disseminating to shareholders certain alleged materially false and misleading statements, (ii) alleged breaches of fiduciary duty by certain of the Company's current directors and a current shareholder of the Company for purported insider trading, and (iii) alleged unjust enrichment by a shareholder of the Company for purported insider trading.

On June 1, 2015, a shareholder derivative action was filed in the Superior Court of the State of California, Santa Clara County styled *Bushansky v. Norby, et al.*, No. 1-15-CV-281284 (PHK) (Cal. Super. Ct. Santa Clara Cnty.). The complaint names as defendants certain of the Company's current directors and former officers, and a shareholder of the Company, with the Company being named as a nominal defendant. The complaint asserted claims for (i) alleged breaches of fiduciary duties by certain of the Company's current directors and former officers for knowingly failing to maintain adequate internal controls over the Company's accounting and reporting functions and disseminating to shareholders certain alleged materially false and misleading statements; and (ii) alleged aiding and abetting of such breaches of fiduciary duties by all defendants.

On January 22, 2016, the Company and the plaintiffs in the *Hemmingson* and *Bushansky* actions entered into and filed a stipulation of settlement with the Superior Court of the State of California, Santa Clara County. The settlement provided for the resolution of all of the pending claims in both shareholder derivative actions against

the Company and the individual defendants, without any liability or wrongdoing attributed to them. The settlement also provided for an aggregate payment from the Company defendants' directors and officers insurance policies of \$3 million to be made to an escrow account, which would be remitted to the Company once the settlement becomes final, less (i) any applicable costs of such escrow account, (ii) any amount awarded by the court to the plaintiff's counsel for attorney's fees and litigation expenses and (iii) the cost of providing notice of the settlement to the Company's stockholders. The proposed settlement also required that the Company implement certain corporate governance measures.

On February 22, 2016, the plaintiffs filed an unopposed motion for preliminary approval of the proposed derivative settlement. On June 10, 2016, the court granted plaintiffs' motion for preliminary approval of the proposed settlement. On October 18, 2016, after a hearing held on October 14, 2016, the court entered its order and final judgment (the "Judgment") granting final approval of the proposed settlement and awarding plaintiffs' counsel \$750,000 for attorneys' fees and litigation expenses. The Judgment was not appealed within the applicable appeals period (on or before December 19, 2016). The settlement therefore became effective after the expiration of the appeals period. As of December 29, 2016, \$2,250,000 plus applicable interest was paid to the Company in connection with the settlement.

Other 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 ordinary-course legal proceedings that we believe would have a material adverse effect on our business, financial condition or results of operations.

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.” On February 17, 2017, the last reported sales price of our common stock on the NYSE was \$7.70 per share. The table below sets forth the reported high and low sales prices for our common stock during the quarterly periods for the two most recent fiscal years described below.

Price Range of Common Stock

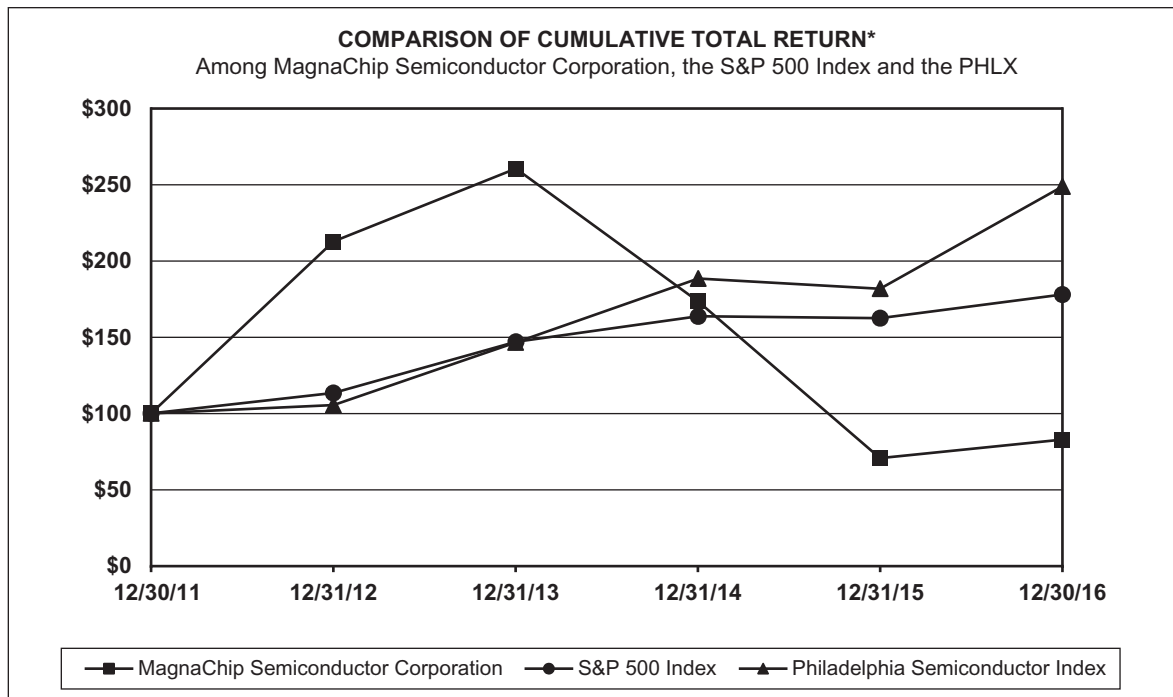
	<u>High</u>	<u>Low</u>
Fiscal 2015		
First Quarter	\$15.72	\$4.89
Second Quarter	\$ 8.04	\$5.00
Third Quarter	\$ 9.88	\$6.40
Fourth Quarter	\$ 7.48	\$4.14
Fiscal 2016		
First Quarter	\$ 5.81	\$3.10
Second Quarter	\$ 6.10	\$4.71
Third Quarter	\$ 9.17	\$5.35
Fourth Quarter	\$ 8.83	\$5.20

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 30, 2011 (the last trading day before the beginning of our fifth preceding fiscal year) through December 31, 2016. The graph assumes that \$100 was invested on December 30, 2011 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 31, 2016.

Comparison of Cumulative Total Return*

Among MagnaChip Semiconductor Corporation, the S&P 500 Index and the PHLX



* 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 12/30/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/30/2016
MagnaChip Semiconductor Corporation ..	100	212.83	260.70	173.66	70.72	82.89
S&P 500 Index	100	113.41	146.98	163.72	162.53	178.02
Philadelphia Semiconductor Index	100	105.38	146.81	188.47	182.05	248.73

Holders

The approximate number of record holders of our outstanding common stock as of January 31, 2017 was 71. This number does not include beneficial owners for whom shares are held by nominees in street name.

Dividends

We do not intend to pay any cash dividends on our common stock in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. The payment of cash dividends on our common stock is restricted under the terms of the indentures governing our Exchangeable Notes and 2021 Notes.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding common stock during the fiscal quarter ended December 31, 2016.

Item 6. Selected Financial Data

The following tables set forth selected historical consolidated financial data of MagnaChip Semiconductor Corporation on or as of the dates and for the periods indicated. The selected historical consolidated financial data presented below should be read together with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements contained in “Item 8. Financial Statements and Supplementary Data,” including the notes to those consolidated financial statements, appearing elsewhere in this Report.

We have derived the selected consolidated financial data as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 from the historical audited consolidated financial statements of the Company included in this Report. We have derived the selected consolidated financial data as of December 31, 2014, 2013 and 2012 and for the years ended December 31, 2013 and 2012 from the audited consolidated financial statements of MagnaChip Semiconductor Corporation not included in this Report. The historical financial data of MagnaChip Semiconductor Corporation for any period are not necessarily indicative of the results to be expected in any future period.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions, except per share data)				
Statements of Operations Data:					
Net sales	\$688.0	\$ 633.7	\$ 698.2	\$734.2	\$807.3
Cost of sales	531.7	498.8	545.4	579.1	564.1
Gross profit	156.2	134.9	152.9	155.1	243.2
Selling, general and administrative expenses	89.1	94.4	127.0	85.8	82.7
Research and development expenses	72.2	83.4	92.8	87.9	76.3
Restructuring and impairment charges (gain)	(7.8)	—	10.3	8.2	—
Operating income (loss) from continuing operations	2.7	(42.9)	(77.1)	(26.8)	84.3
Interest expense	(16.2)	(16.3)	(16.8)	(21.1)	(23.2)
Foreign currency gain (loss), net	(15.4)	(42.5)	(24.7)	16.8	57.3
Loss on early extinguishment of senior notes	—	—	—	(32.8)	—
Others, net	3.0	1.8	2.9	3.6	4.5
	(28.6)	(57.0)	(38.6)	(33.5)	38.6
Income (loss) from operations before income taxes	(25.9)	(100.0)	(115.7)	(60.2)	122.9
Income tax expenses (benefits)	3.7	(15.1)	1.5	4.0	12.8
Net income (loss)	<u>\$ (29.6)</u>	<u>\$ (84.9)</u>	<u>\$ (117.2)</u>	<u>\$ (64.2)</u>	<u>\$ 110.0</u>
Net income (loss) attributable to common share	<u>\$ (29.6)</u>	<u>\$ (84.9)</u>	<u>\$ (117.2)</u>	<u>\$ (64.2)</u>	<u>\$ 110.0</u>

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions, except per share data)				
Per share data:					
Earnings (loss) per share—					
Basic	\$ (0.85)	\$ (2.47)	\$ (3.44)	\$ (1.82)	\$ 3.01
Diluted	\$ (0.85)	\$ (2.47)	\$ (3.44)	\$ (1.82)	\$ 2.93
Weighted average number of shares					
Basic	34.834	34.381	34.056	35.232	36.568
Diluted	34.834	34.381	34.056	35.232	37.533
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 83.4	\$ 90.9	\$ 102.4	\$ 153.6	\$ 182.2
Total assets(4)	442.0	474.1	523.4	620.4	675.0
Total indebtedness(1)(4)	221.1	220.4	219.7	219.2	195.9
Stockholders' equity (deficit)	(72.1)	(62.3)	(18.5)	81.5	191.5
Supplemental Data:					
Adjusted EBITDA(2)	\$ 40.7	\$ 0.8	\$ 8.5		
Adjusted Net Loss(3)	\$ (4.5)	\$ (26.7)	\$ (38.1)		

- (1) Total indebtedness represents long-term borrowings.
- (2) We define Adjusted EBITDA for the periods indicated as EBITDA (as defined below), adjusted to exclude (i) restructuring and impairment charges, (ii) equity-based compensation expense, (iii) foreign currency loss (gain), net, (iv) derivative valuation loss, net and (v) restatement related expenses. EBITDA for the periods indicated is defined as net income (loss) before interest expense, net, income tax expenses and depreciation and amortization. This is a non-US GAAP financial measure and is discussed under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation and Reconciliation of Non-US GAAP measures—Adjusted EBITDA and Adjusted Net Loss."
- (3) We define Adjusted Net Loss for the periods indicated as net income (loss), adjusted to exclude (i) restructuring and impairment charges, (ii) equity-based compensation expense, (iii) amortization of intangibles, (iv) foreign currency loss (gain), net, (v) derivative valuation loss, net, and (vi) restatement related expenses. This is a non-US GAAP financial measure and is discussed under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation and Reconciliation of Non-US GAAP measures—Adjusted EBITDA and Adjusted Net Loss."
- (4) In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-03, "Interest—Imputation of Interest", which requires that debt issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. We adopted ASU 2015-03 in 2016 and reclassified all prior periods presented in the table above to conform to the current period presentation. As of December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012, \$3.8 million, \$4.3 million, \$4.8 million and \$5.8 million of debt issuance costs were reclassified from total assets to a reduction of total indebtedness. The adoption of ASU 2015-03 did not impact our consolidated statements of operations.

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 and unaudited consolidated interim 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.

Overview

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for consumer, computing, communication, industrial, automotive and IoT applications. We provide technology platforms for analog, mixed-signal, power, high voltage, non-volatile memory, and RF applications. We have a proven record with a 30-year operating history, large portfolio of 2,198 registered novel patents and 166 pending novel patent applications and extensive engineering and manufacturing process expertise.

We had previously reported our results of operations under one operating segment. During the second quarter of 2015, organizational changes were made to (i) realign our businesses and organizational structure and (ii) streamline and consolidate certain business processes to achieve greater operating efficiencies. In furtherance of these objectives, we combined our Display Solutions and Power Solutions business lines into a new segment called Standard Products Group. Beginning in the second quarter of 2015, we report our financial results in two operating segments: Semiconductor Manufacturing Services and Standard Products Group. All prior period amounts related to the segment change have been retrospectively reclassified to conform to the new presentation.

Beginning in the third quarter of 2015, we changed the name of our Semiconductor Manufacturing Services segment to Foundry Services Group. We believe that this new name provides greater clarity on the identity of this segment. There is no change to the composition of this reportable segment from what we previously reported for the Semiconductor Manufacturing Services segment.

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

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our mature technology platform allow us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our design center and substantial manufacturing operations in Korea place us at the core of the global electronics device supply chain. We believe this enables us to quickly and efficiently respond to our customers' needs and allows us to better serve and capture additional demand from existing and new customers.

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

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

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

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

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

In contrast to completely fabless semiconductor companies, our internal manufacturing capacity provides us with greater control over 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 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 products and services require investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. 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 wafer capacity. We believe this capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

Since 2007, we have designed and manufactured active matrix organic light emitting diodes (AMOLED) display driver ICs in our internal manufacturing facilities. Recently, as we expanded our design capabilities to products that require lower geometries unavailable at our existing manufacturing facilities, we began outsourcing manufacturing of certain AMOLED display driver ICs to an external foundry. This additional source of manufacturing is an increasingly important part of our supply chain management, accounting for a growing portion of our revenue. By outsourcing manufacturing of advanced AMOLED products to external foundries, we are able to dynamically adapt to the changing customer requirements and address growing markets without substantial capital investments by us. Both at the internal and external foundries, we apply our unique AMOLED process patents as well as other intellectual property, proprietary process design kits and custom design-flow methodologies.

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

Recent Developments

In December 2014, we announced that our Board of Directors had adopted a plan to close our 6-inch fab. During the fourth quarter of 2015, we received an \$8.2 million deposit for sale of machinery in conjunction with the planned closure of our 6-inch fab. According to this plan, the 6-inch fab was closed on February 29, 2016. During the first quarter of 2016, we completed all procedures necessary to sell all machineries in our closed 6-inch fab and recognized a \$7.8 million restructuring gain from this related deposit of \$8.2 million, net of certain direct selling costs. On April 4, 2016, we commenced the Program, which was available to certain manufacturing employees, including our 6-inch fab employees, through April 29, 2016.

As of April 29, 2016, 169 employees elected to resign under the terms of the Program, from which we expect to save approximately \$8 million in spending per year. We paid approximately \$8 million for severance benefits, which are required by law and had already been fully accrued in our financial statements, in a lump sum during the second quarter of 2016. Beginning in May 2016, we also began to pay a portion of the \$4.2 million in aggregate other termination benefits under the Program, which are being paid in equal monthly installments over twelve months. We recorded the \$4.2 million charge related to the full amount of these other termination benefits payable under the Program during the second quarter of 2016.

As of December 21, 2016, we entered into a purchase and sale agreement to sell a building located in Cheongju, South Korea. The building has historically been used to house the 6-inch fab and became vacant upon the closure of the fabrication facility. As of December 31, 2015, the building was fully impaired. We received proceeds of \$18.2 million, including a \$1.7 million value-added tax, for the sale of the building on December 26, 2016. We are obligated to perform certain removal construction work that is expected to be completed by the end of March 2017. Accordingly, we recorded \$18.2 million as restricted cash in our consolidated balance sheets as of December 31, 2016.

Restatement

In January 2014, our Audit Committee commenced an independent investigation that resulted in the restatement of certain financial statements for prior periods. As a result of the restatement, we have incurred substantial external accounting, legal and other related costs associated with the restatement and certain litigation and other regulatory investigations and actions related thereto. We incurred restatement related costs of \$7.0 million, primarily attributable to certain litigation, for the year ended December 31, 2016, compared to \$12.4 million and \$40.9 million for the years ended December 31, 2015 and 2014, respectively.

On December 10, 2015, we entered into a Memorandum of Understanding with the plaintiffs' representatives to settle the Class Action Litigation, as defined and detailed in "Item 3. Legal Proceedings" in this Report, for an aggregate settlement payment of \$23.5 million. This settlement payment was fully funded by insurance proceeds that were received in the first quarter of 2016 and disbursed from the escrow account, previously recorded as restricted cash, in the third quarter of 2016.

On January 22, 2016, we entered into a stipulation of settlement with the plaintiffs in the shareholder derivative actions, as described in "Item 3. Legal Proceedings" in this Report, for an aggregate payment of \$3.0 million from our insurance proceeds that were received in the first quarter of 2016 and recorded in the escrow account. In October 2016, the court approved the settlement of the shareholder derivative actions for \$3.0 million, which included \$0.75 million awarded to plaintiffs' counsel. Upon the expiration of the appeals period, \$2.25 million was disbursed from the escrow account, previously recorded as restricted cash, in December 2016. The remaining restricted cash related to insurance proceeds of \$3.1 million was also released in December 2016.

Segments

We report our financial results in two operating segments: Foundry Services Group and Standard Products Group. We identified these segments based on how we allocate resources and assess our performance.

- ***Foundry Services Group:*** Our Foundry Services Group provides specialty analog and mixed-signal foundry services to fabless semiconductor companies and IDMs that serve consumer, computing, communication, industrial, automotive and IoT applications. We manufacture wafers based on our customers' product designs. We do not market these products directly to end customers but rather supply manufactured wafers and products to our customers to market to their end customers. We offer approximately 466 process flows to our foundry services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise. Our foundry services target customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage complementary metal-oxide-semiconductor (CMOS), non-volatile memory or bipolar-CMOS-DMOS (BCD). These customers typically serve the consumer, computing, communication, industrial, automotive and IoT applications. Our Foundry Services Group business represented 39.8%, 45.9% and 51.6% of our net sales for the fiscal years ended December 31, 2016, 2015 and 2014, respectively. Gross profit from our Foundry Services Group business was \$69.4 million, \$66.2 million and \$75.7 million for the fiscal years ended December 31, 2016, 2015 and 2014, respectively.
- ***Standard Products Group:*** Our Standard Products Group includes our Display Solutions and Power Solutions business lines. Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in ultra high definition (UHD), high definition (HD), light emitting diode (LED), 3D and OLED televisions and displays, notebooks and mobile communications and entertainment devices. Our Display Solutions products support the industry's most advanced display technologies, such as active matrix organic light emitting diodes (AMOLEDs), and low temperature polysilicons (LTPS), as well as high-volume display technologies such as thin film transistors (TFT). Since 2007, we have designed and manufactured AMOLED display driver IC products. Our current portfolio of AMOLED solutions address a wide range of resolutions ranging from HD to Wide Quad High

Definition (WQHD) for applications including smartphones, TVs, and other mobile devices. We believe we have a unique intellectual property portfolio and mixed-signal design and manufacturing expertise in the AMOLED industry. We provide a full range of intelligent sensor product families featuring 0.18 micron analog and mixed-signal technology with low power consumption. Our sensor families target the growing market for applications ranging from smartphone, tablet PC and other consumer electronics to industrial devices. Our Power Solutions business line produces power management semiconductor products including discrete and integrated circuit solutions for power management in high-volume consumer applications. These products include metal oxide semiconductor field effect transistors (MOSFETs), insulated-gate bipolar transistors (IGBTs), power modules, AC-DC converters, DC-DC converters, LED drivers, switching regulators and linear regulators for a range of devices, including televisions, smartphones, mobile phones, desktop PCs, notebooks, tablet PCs, other consumer electronics, and industrial applications such as power suppliers, LED lighting, motor control and home appliances. Our Standard Products Group, which includes our Display Solutions and Power Solutions business lines, represented 60.1%, 54.0% and 48.3% of our net sales for the fiscal years ended December 31, 2016, 2015 and 2014, respectively. Gross profit from our Standard Products Group was \$87.2 million, \$68.1 million and \$76.6 million for the fiscal years ended December 31, 2016, 2015 and 2014, respectively.

Explanation and Reconciliation of Non-US GAAP Measures

Adjusted EBITDA and Adjusted Net Loss

We use the terms Adjusted EBITDA and Adjusted Net Loss throughout this Report. Adjusted EBITDA, as we define it, is a non-US GAAP measure. We define Adjusted EBITDA for the periods indicated as EBITDA (as defined below), adjusted to exclude (i) restructuring, impairment and other (gain), (ii) equity-based compensation expense, (iii) foreign currency loss (gain), net, (iv) derivative valuation loss (gain), net and (v) restatement related expenses. EBITDA for the periods indicated is defined as net loss before interest expense, net, income tax expenses (benefits), 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 the 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 the 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 US GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net loss, as determined in accordance with US GAAP. A reconciliation of net loss to Adjusted EBITDA is as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
		(In millions)	
Net Loss	\$(29.6)	\$(84.9)	\$(117.2)
Interest expense, net	16.0	16.0	16.2
Income tax expenses (benefits)	3.7	(15.1)	1.5
Depreciation and amortization	25.4	26.5	30.0
EBITDA	\$ 15.5	\$(57.4)	\$ (69.4)
Adjustments:			
Restructuring, impairment and other (gain)(a)	(1.3)	—	10.3
Equity-based compensation expense(b)	3.8	2.8	2.1
Foreign currency loss (gain), net(c)	15.4	42.5	24.6
Derivative valuation loss (gain), net(d)	0.3	0.5	—
Restatement related expenses(e)	7.0	12.4	40.9
Adjusted EBITDA	<u>\$ 40.7</u>	<u>\$ 0.8</u>	<u>\$ 8.5</u>

- (a) This adjustment eliminates the impact associated with the closure of our 6-inch fab. For the year ended December 31, 2016, the adjustment eliminates the \$7.8 million restructuring gain on sale of machinery in connection with the closure of our 6-inch fab, net of the \$4.2 million other termination benefits payable under the voluntary resignation program and \$2.3 million training and transition costs related to our 6-inch fab employees. For the year ended December 31, 2014, the adjustment eliminates the impact of impairment charges of \$10.3 million related to the asset impairment in connection with the closure of our 6-inch fab. We believe that the exclusion of these impacts provides investors with a more consistent basis for which to compare results in future periods now that the closure of our 6-inch fab has been completed.
- (b) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, 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.
- (c) 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.
- (d) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (e) This adjustment eliminates expenses in connection with the Audit Committee's independent investigation and related restatement and litigation, primarily comprised of legal, audit and consulting fees. Partially

offsetting the restatement related expenses for the year ended December 31, 2015 was the proceeds of \$2.4 million from an insurance claim for defense costs. This amount does not include any allocation of internal costs related to the restatement. As these restatement related expenses meaningfully impacted our operating results and are not expected to represent an ongoing operating expense to us, we believe our operating performance results are more usefully compared if these expenses are excluded.

There was no tax impact from the adjustments to net loss to calculate our Adjusted EBITDA for the years ended December 31, 2016, 2015 and 2014 due to net operating loss carry-forwards available to offset taxable income and full allowance for deferred tax assets. We believe that all adjustments to net loss used to calculate Adjusted EBITDA were applied consistently to the periods presented.

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

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often 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 US GAAP results and using Adjusted EBITDA only supplementally.

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

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

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

	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
		(In millions)	
Net Loss	\$(29.6)	\$(84.9)	\$(117.2)
Adjustments:			
Restructuring, impairment and other (gain)(a)	(1.3)	—	10.3
Equity-based compensation expense(b)	3.8	2.8	2.1
Amortization of intangibles(c)	—	—	1.2
Foreign currency loss, net(d)	15.4	42.5	24.6
Derivative valuation loss, net(e)	0.3	0.5	—
Restatement related expenses(f)	7.0	12.4	40.9
Adjusted Net Loss	<u>\$ (4.5)</u>	<u>\$(26.7)</u>	<u>\$ (38.1)</u>

- (a) This adjustment eliminates the impact associated with the closure of our 6-inch fab. For the year ended December 31, 2016, the adjustment eliminates the \$7.8 million restructuring gain on sale of machinery in connection with the closure of our 6-inch fab, net of the \$4.2 million other termination benefits payable under the voluntary resignation program and \$2.3 million training and transition costs related to our 6-inch fab employees. For the year ended December 31, 2014, the adjustment eliminates the impact of impairment charges of \$10.3 million related to the asset impairment in connection with the closure of our 6-inch fab. We believe that the exclusion of these impacts provides investors with a more consistent basis for which to compare results in future periods now that the closure of our 6-inch fab has been completed.
- (b) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, 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.
- (c) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.
- (d) 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.

- (e) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents hedge ineffectiveness or derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (f) This adjustment eliminates expenses in connection with the Audit Committee's independent investigation and related restatement and litigation, primarily comprised of legal, audit and consulting fees. Partially offsetting the restatement related expenses for the year ended December 31, 2015 was the proceeds of \$2.4 million from an insurance claim for defense costs. This amount does not include any allocation of internal costs related to the restatement. As these restatement related expenses meaningfully impacted our operating results and are not expected to represent an ongoing operating expense to us, we believe our operating performance results are more usefully compared if these expenses are excluded.

There was no tax impact from the adjustments to net loss to calculate our Adjusted Net Loss for the years ended December 31, 2016, 2015 and 2014 due to net operating loss carry-forwards available to offset taxable income and full allowance for deferred tax assets. We believe that all adjustments to net loss used to calculate Adjusted Net Loss were applied consistently to the periods presented.

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

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

Because of these limitations, Adjusted Net Loss should not be considered as a measure of profitability of our business. We compensate for these limitations by relying primarily on our US GAAP results and using Adjusted Net Loss only supplementally.

Our Adjusted EBITDA and Adjusted Net Loss for the year ended December 31, 2016 were \$40.7 million and \$4.5 million, respectively. Our Adjusted EBITDA and Adjusted Net Loss for the year ended December 31, 2015 were \$0.8 million and \$26.7 million, respectively. Our Adjusted EBITDA and Adjusted Net Loss for the year ended December 31, 2014 were \$8.5 million and \$38.1 million, respectively.

Factors Affecting Our Results of Operations

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

We recognize revenue when risk and reward of ownership pass to the customer either upon shipment, upon product delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the years ended December 31, 2016 and 2015, we sold products to 357 and 316 customers, respectively, and our net sales to our ten largest customers represented 64% and 64% of our net sales, respectively. We have a combined production capacity of approximately 115,000 semiconductor wafers per month. We believe our large-scale, cost-effective fabrication facilities enable us to rapidly adjust our production levels to meet shifts in demand by our end customers.

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

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

Material Costs. Our cost of material consists of costs of raw materials, such as silicon wafers, chemicals, gases and tape 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 significantly increase.

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2016, approximately 98% of our employees were eligible for severance benefits.

Depreciation Expense. We periodically evaluate the carrying values of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. We depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to 5 to 12 years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying values of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

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

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

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses are for process development that serves as a common technology platform for all of our product lines.

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

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars converted from our non-U.S. revenues and expenses based on monthly average exchange rates, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income (loss) to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the U.S. dollar as a substantial portion of non-cash translation gain or loss is associated with the intercompany long-term loans to our Korean subsidiary, which is denominated in U.S. dollars. As of December 31, 2016, the outstanding intercompany loan balance including accrued interests between our Korean subsidiary and our Dutch subsidiary was \$598 million. Our Dutch subsidiary uses U.S. dollar as their functional currency. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

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

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

Income Taxes. We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for

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

Our operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions, including Korea. Significant estimates and judgments are required in determining our worldwide provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

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

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

Results of Operations

The following table sets forth, for the periods indicated, certain information related to our operations, expressed in U.S. dollars and as a percentage of our net sales:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
(In millions)						
Consolidated statements of operations data:						
Net sales	\$688.0	100.0%	\$ 633.7	100.0%	\$ 698.2	100.0%
Cost of sales	<u>531.7</u>	77.3	<u>498.8</u>	78.7	<u>545.4</u>	78.1
Gross profit	156.2	22.7	134.9	21.3	152.9	21.9
Selling, general and administrative expenses	89.1	13.0	94.4	14.9	127.0	18.2
Research and development expenses	72.2	10.5	83.4	13.2	92.8	13.3
Restructuring and impairment charges (gain)	<u>(7.8)</u>	(1.1)	<u>—</u>	—	<u>10.3</u>	1.5
Operating income (loss)	2.7	0.4	(42.9)	(6.8)	(77.1)	(11.0)
Interest expense	(16.2)	(2.4)	(16.3)	(2.6)	(16.8)	(2.4)
Foreign currency loss, net	(15.4)	(2.2)	(42.5)	(6.7)	(24.7)	(3.5)
Others, net	<u>3.0</u>	0.4	<u>1.8</u>	0.3	<u>2.9</u>	0.4
	<u>(28.6)</u>	(4.2)	<u>(57.0)</u>	(9.0)	<u>(38.6)</u>	(5.5)
Loss before income taxes	(25.9)	(3.8)	(100.0)	(15.8)	(115.7)	(16.6)
Income tax expenses (benefits)	<u>3.7</u>	0.5	<u>(15.1)</u>	(2.4)	<u>1.5</u>	0.2
Net loss	<u>\$ (29.6)</u>	(4.3)%	<u>\$ (84.9)</u>	(13.4)%	<u>\$ (117.2)</u>	(16.8)%
Net Sales:						
Foundry Services Group	\$274.0	39.8%	\$ 290.8	45.9%	\$ 360.5	51.6%
Standard Products Group						
Display Solutions	282.0	41.0	207.5	32.7	199.9	28.6
Power Solutions	<u>131.5</u>	19.1	<u>134.8</u>	21.3	<u>137.2</u>	19.7
Total Standard Products Group	413.4	60.1	342.3	54.0	337.1	48.3
All other	<u>0.6</u>	0.1	<u>0.6</u>	0.1	<u>0.6</u>	0.1
Total net sales	<u>\$688.0</u>	<u>100.0%</u>	<u>\$ 633.7</u>	<u>100.0%</u>	<u>\$ 698.2</u>	<u>100.0%</u>

Results of Operations—Comparison of Years Ended December 31, 2016 and 2015

The following table sets forth consolidated results of operations for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Net sales	\$688.0	100.0%	\$ 633.7	100.0%	\$ 54.3
Cost of sales	531.7	77.3	498.8	78.7	32.9
Gross profit	156.2	22.7	134.9	21.3	21.4
Selling, general and administrative expenses	89.1	13.0	94.4	14.9	(5.3)
Research and development expenses	72.2	10.5	83.4	13.2	(11.2)
Restructuring gain	(7.8)	(1.1)	—	—	(7.8)
Operating income (loss)	2.7	0.4	(42.9)	(6.8)	45.7
Interest expense	(16.2)	(2.4)	(16.3)	(2.6)	0.0
Foreign currency loss, net	(15.4)	(2.2)	(42.5)	(6.7)	27.2
Others, net	3.0	0.4	1.8	0.3	1.2
	(28.6)	(4.2)	(57.0)	(9.0)	28.4
Loss before income taxes	(25.9)	(3.8)	(100.0)	(15.8)	74.1
Income tax expenses (benefits)	3.7	0.5	(15.1)	(2.4)	18.8
Net loss	<u>\$ (29.6)</u>	<u>(4.3)</u>	<u>\$ (84.9)</u>	<u>(13.4)</u>	<u>\$ 55.3</u>

Results by segment

	Year Ended December 31, 2016		Year Ended December 31, 2015		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Net Sales					
Foundry Services Group	\$274.0	39.8%	\$290.8	45.9%	\$(16.8)
Standard Products Group					
Display Solutions	282.0	41.0	207.5	32.7	74.5
Power Solutions	131.5	19.1	134.8	21.3	(3.3)
Total Standard Products Group	413.4	60.1	342.3	54.0	71.1
All other	0.6	0.1	0.6	0.1	—
Total net sales	<u>\$688.0</u>	<u>100.0%</u>	<u>\$633.7</u>	<u>100.0%</u>	<u>\$ 54.3</u>

	Year Ended December 31, 2016		Year Ended December 31, 2015		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Gross Profit					
Foundry Services Group	\$ 69.4	25.3%	\$ 66.2	22.8%	\$ 3.2
Standard Products Group	87.2	21.1	68.1	19.9	19.1
All other	(0.4)	(66.3)	0.6	92.5	(1.0)
Total gross profit	<u>\$156.2</u>	<u>22.7%</u>	<u>\$134.9</u>	<u>21.3%</u>	<u>\$ 21.4</u>

Net Sales

Net sales were \$688.0 million for the year ended December 31, 2016, a \$54.3 million, or 8.6%, increase compared to \$633.7 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in revenue related to mobile AMOLED display products from our Standard Products Group, which was offset in part by a net decrease in revenue from our Foundry Services Group as described below.

Foundry Services Group. Net sales from our Foundry Services Group segment were \$274.0 million for the year ended December 31, 2016, a \$16.8 million, or 5.8%, decrease compared to net sales of \$290.8 million for the year ended December 31, 2015. The decrease was primarily attributable to a net decline in sales due to the closure of our 6-inch fab in February 2016 and a decrease caused by reduced levels of demand of our foundry services from certain customers serving the high-end and mid-range smartphone markets. These decreases were partially offset by an increase in sales of certain products from new global power management IC foundry customers and an increase in sales of certain products from fingerprint IC and micro controller unit customers.

Standard Products Group. Net sales from our Standard Products Group segment were \$413.4 million for the year ended December 31, 2016, a \$71.1 million, or 20.8%, increase compared to \$342.3 million for the year ended December 31, 2015. This substantial increase was primarily due to a significant increase in revenue related to our Display Solutions business line, partially offset by decrease in revenue related to our Power Solutions business line as described below.

Net sales from our Display Solutions business line were \$282.0 million for the year ended December 31, 2016, a \$74.5 million, or 35.9%, increase from \$207.5 million for the year ended December 31, 2015. The increase in sales was primarily attributable to higher sales of mobile AMOLED display driver IC; partially offset by revenue decrease in large display products mainly due to reduced demand for source drivers. Net sales from our Power Solutions business line were \$131.5 million for the year ended December 31, 2016, a \$3.3 million, or 2.5%, decrease from \$134.8 million for the year ended December 31, 2015. The decrease in sales was primarily due to the reduction of low contribution margin MOSFET products as part of our product portfolio optimization process.

All Other. All other net sales were \$0.6 million for the year ended December 31, 2016 and December 31, 2015, respectively.

Gross Profit

Total gross profit was \$156.2 million for the year ended December 31, 2016 compared to \$134.9 million for the year ended December 31, 2015, a \$21.4 million, or 15.8%, increase. Gross profit as a percentage of net sales for the year ended December 31, 2016 increased to 22.7% compared to 21.3% for the year ended December 31, 2015. The increase in gross profit as a percentage of net sales was due to both our Foundry Services Group and Standard Products Group segments as described below.

Foundry Services Group. Gross profit from our Foundry Services Group segment was \$69.4 million for the year ended December 31, 2016, a \$3.2 million, or 4.9%, increase compared to \$66.2 million for the year ended December 31, 2015. Gross profit as a percentage of net sales for the year ended December 31, 2016 increased to 25.3% compared to 22.8% for the year ended December 31, 2015. The increase in gross profit as a percentage of net sales was mainly attributable to a better product mix as we ended the production and sale of legacy low margin products that were manufactured in our 6-inch fab, which was closed during the first quarter of 2016. The increase in 8-inch utilization rate throughout 2016 had a positive impact to gross profit as a percentage of net sales; offset by absorbed labor costs from the remaining headcount from our legacy 6-inch fab.

Standard Products Group. Gross profit from our Standard Products Group segment was \$87.2 million for the year ended December 31, 2016, a \$19.1 million, or 28.0%, increase from \$68.1 million for the year ended

December 31, 2015. Gross profit as a percentage of net sales for the year ended December 31, 2016 increased to 21.1% compared to 19.9% for the year ended December 31, 2015. Gross profit as a percentage of net sales slightly increased due to the increase in our 8-inch utilization rate throughout 2016, offset by absorbed labor costs from the remaining employees from our legacy 6-inch fab closure in February 2016. In addition, we strategically increased the volume of certain lower margin products during 2016 to increase our utilization rate and maximize cash flows.

All Other. All other gross profit for the year ended December 31, 2016 was negative \$0.4 million mainly attributable to the \$0.9 million training and transition costs recorded in the first quarter of 2016 related to our remaining 6-inch fab employees, which was partially offset by revenue from the disposal of waste materials. All other gross profit for the year ended December 31, 2015 was \$0.6 million related to the disposal of waste materials.

Net Sales by Geographic Region

We report net sales by geographic region based on the location to which the products are billed. The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the years ended December 31, 2016 and 2015:

	<u>Year Ended December 31, 2016</u>		<u>Year Ended December 31, 2015</u>		<u>Change Amount</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
	(In millions)				
Korea	\$219.6	31.9%	\$241.7	38.1%	\$(22.1)
Asia Pacific (other than Korea)	391.9	57.0	316.6	50.0	75.3
U.S.A.	33.2	4.8	51.2	8.1	(18.0)
Europe	42.3	6.1	23.5	3.7	18.8
Others	1.0	0.1	0.8	0.1	0.2
	<u>\$688.0</u>	<u>100.0%</u>	<u>\$633.7</u>	<u>100.0%</u>	<u>\$ 54.3</u>

Net sales in Korea for the year ended December 31, 2016 decreased from \$241.7 million to \$219.6 million compared to the year ended December 31, 2015, or by \$22.1 million, or 9.1%, primarily due to reduced demand of large display applications and a decrease in sales in connection with the closure of our 6-inch fab in the first quarter of 2016, which was partially offset by increased sales of certain MOSFET products mainly for battery protection.

Net sales in Asia Pacific for the year ended December 31, 2016 increased from \$316.6 million to \$391.9 million compared to the year ended December 31, 2015, or by \$75.3 million, or 23.8%, primarily due to higher sales of mobile AMOLED display products, which was partially offset by reduced sales of MOSFET products and our foundry services due to the closure of our 6-inch fab in the first quarter of 2016.

Net sales in the United States for the year ended December 31, 2016 decreased from \$51.2 million to \$33.2 million compared to the year ended December 31, 2015, or by \$18.0 million, or 35.1%, primarily due to the change in billing location from the United States to Europe by a foundry customer serving the high-end smartphone market, which was partially offset by an increase in sales of certain products from a new global power management IC foundry customer.

Net sales in Europe for the year ended December 31, 2016 increased from \$23.5 million to \$42.3 million compared to the year ended December 31, 2015, or by \$18.8 million, or 80.2%, primarily due to the change in billing location from the United States to Europe by a foundry customer serving the high-end smartphone market.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$89.1 million, or 13.0% of net sales for the year ended December 31, 2016, compared to \$94.4 million, or 14.9% of net sales for the year ended December 31, 2015. The decrease of \$5.3 million, or 5.6%, was attributable to an \$8.8 million decrease in professional fees mainly comprised of legal and consulting fees and a \$2.5 million decrease related to a reversal of a non-income-based tax accrual. These decreases were partially offset by a \$4.2 million increase in other termination benefit expenses under our voluntary resignation program and a \$2.4 million increase due to proceeds from an insurance claim for certain restatement related legal costs received in 2015. The remaining decrease in various general and administrative expenses was primarily a result of our cost reduction efforts.

Research and Development Expenses. Research and development expenses were \$72.2 million, or 10.5% of net sales for the year ended December 31, 2016, compared to \$83.4 million, or 13.2% of net sales for the year ended December 31, 2015. The decrease of \$11.2 million, or 13.5%, was comprised of an \$8.8 million decrease in R&D related material and processing costs, a \$1.2 million decrease in personnel costs, and a \$1.2 million reduction in outside service fees and various overhead expenses.

Restructuring Gain. Restructuring gain of \$7.8 million recorded for the year ended December 31, 2016 resulted from the sale of machinery related to the closure of our 6-inch fab.

Operating Income (Loss)

As a result of the foregoing, operating income increased by \$45.7 million in the year ended December 31, 2016 compared to the year ended December 31, 2015. As discussed above, the increase in operating income resulted from a \$21.4 million increase in gross profit, a \$5.3 million decrease in selling, general and administrative expenses, an \$11.2 million decrease in research and development expenses and a \$7.8 million increase in restructuring gain.

Other Income (Expense)

Interest Expense. Interest expense was \$16.2 million for the year ended December 31, 2016 and \$16.3 million for the year ended December 31, 2015, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the year ended December 31, 2016 was \$15.4 million compared to net foreign currency loss of \$42.5 million for the year ended December 31, 2015. The net foreign currency loss for the years ended December 31, 2016 and 2015 was due to the depreciation in value of the Korean won relative to the U.S. dollar during the period.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with 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, 2016, the outstanding intercompany loan balance including accrued interest between our Korean subsidiary and our Dutch subsidiary was \$598,212 thousand. Foreign currency translation gain or loss from intercompany balances was included in determining our consolidated net income since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

Others, Net. Others were comprised of gains and losses on the valuation of derivatives which were designated as hedging instruments, rental income and interest income. Others for the year ended December 31, 2016 and December 31, 2015 were \$3.0 million and \$1.8 million, respectively.

Income Tax Expenses (Benefits)

We are subject to income taxes in the United States and many foreign jurisdictions and our effective tax rate is affected by changes in the mix of earnings between countries with differing tax rates. Our primary foreign operations are in Korea where the statutory tax rate applicable to us was approximately 24.2% in 2016 and 2015. Statutory tax rates for all foreign subsidiaries were less than the U.S. federal statutory rate of 35.0%.

We recorded income tax expenses of \$3.7 million for the year ended December 31, 2016 and income tax benefits of \$15.1 million for the year ended December 31, 2015. The effective tax rate was negative for the year ended December 31, 2016, as compared to 15.1% for the year ended December 31, 2015.

The significant increase in income tax expenses in 2016 is related to the reversal of withholding tax payable with respect to the waiver of the accrued interest on the loans granted to our Korean subsidiary by our Dutch subsidiary in 2015. Korean and Dutch subsidiaries agreed that our Dutch subsidiary waives and releases a partial amount of unpaid interest of \$174 million on its intercompany loans granted to our Korean subsidiary in order to decrease the cumulative losses of our Korean subsidiary to enhance the subsidiary's credit standing under the local banking rules. This transaction created a taxable income for our Korean subsidiary but did not result in a liability because of the utilization of expired loss carryforwards, which is deductible only against gains from cancellation of debt. The loss was not tax deductible for our Dutch subsidiary. This transaction also resulted in taxable loss for our Luxemburg subsidiary and this tax benefit was offset by an increase in the change in valuation allowance. In connection with the waiver of unpaid interest, the related withholding tax was reversed, resulting in the recognition of income tax benefit of \$17.8 million as of December 31, 2015.

We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. The valuation allowances at December 31, 2016 and 2015 are primarily attributable to deferred tax assets for the uncertainty in taxable income at our Korean subsidiary for which we have recorded a full valuation allowance against the deferred tax assets, net of its deferred tax liabilities, and against certain of our foreign subsidiaries' deferred tax assets pertaining to their related tax loss carry-forwards and tax credits that are not anticipated to generate a tax benefit.

Net Loss

As a result of the foregoing, net loss decreased by \$55.3 million in the year ended December 31, 2016 compared to the year ended December 31, 2015. As discussed above, the decrease primarily resulted from a \$45.7 million decrease in operating loss and a \$27.2 million decrease in foreign currency loss, partially offset by an \$18.8 million increase in income tax expenses.

Results of Operations—Comparison of Years Ended December 31, 2015 and 2014

The following table sets forth consolidated results of operations for the years ended December 31, 2015 and 2014:

	Year Ended December 31, 2015		Year Ended December 31, 2014		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Net sales	\$ 633.7	100.0%	\$ 698.2	100.0%	\$(64.5)
Cost of sales	498.8	78.7	545.4	78.1	(46.5)
Gross profit	134.9	21.3	152.9	21.9	(18.0)
Selling, general and administrative expenses	94.4	14.9	127.0	18.2	(32.6)
Research and development expenses	83.4	13.2	92.8	13.3	(9.3)
Restructuring and impairment charges	—	—	10.3	1.5	(10.3)
Operating loss	(42.9)	(6.8)	(77.1)	(11.0)	34.2
Interest expense	(16.3)	(2.6)	(16.8)	(2.4)	0.6
Foreign currency loss, net	(42.5)	(6.7)	(24.7)	(3.5)	(17.9)
Others, net	1.8	0.3	2.9	0.4	(1.1)
	(57.0)	(9.0)	(38.6)	(5.5)	(18.4)
Loss before income taxes	(100.0)	(15.8)	(115.7)	(16.6)	15.7
Income tax expenses (benefits)	(15.1)	(2.4)	1.5	0.2	(16.6)
Net loss	\$ (84.9)	(13.4)	\$(117.2)	(16.8)	\$ 32.3

Results by segment

	Year Ended December 31, 2015		Year Ended December 31, 2014		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Net Sales					
Foundry Services Group	\$290.8	45.9%	\$360.5	51.6%	\$(69.8)
Standard Products Group					
Display Solutions	207.5	32.7	199.9	28.6	7.6
Power Solutions	134.8	21.3	137.2	19.7	(2.4)
Total Standard Products Group	342.3	54.0	337.1	48.3	5.2
All other	0.6	0.1	0.6	0.1	0.1
Total net sales	\$633.7	100.0%	\$698.2	100.0%	\$(64.5)

	Year Ended December 31, 2015		Year Ended December 31, 2014		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
	(In millions)				
Gross Profit					
Foundry Services Group	\$ 66.2	22.8%	\$ 75.7	21.0%	\$ (9.5)
Standard Products Group	68.1	19.9	76.6	22.7	(8.5)
All other	0.6	91.7	0.6	96.1	—
Total gross profit	\$134.9	21.3%	\$152.9	21.9%	\$(18.0)

Net sales were \$633.7 million for the year ended December 31, 2015, a \$64.5 million, or 9.2%, decrease compared to \$698.2 million for the year ended December 31, 2014. Net sales declined in 2015 compared to fiscal year 2014 primarily as a result of significant decrease in revenue related to our Foundry Services Group segment as described below.

Foundry Services Group. Net sales from our Foundry Services Group segment were \$290.8 million for the year ended December 31, 2015, a \$69.8 million, or 19.4%, decrease compared to \$360.5 million for the year ended December 31, 2014. The decrease was primarily attributable to reduced levels of demand of our foundry services and discontinuation of certain products by customers serving the smartphone market.

Standard Products Group. Net sales from our Standard Products Group segment were \$342.3 million for the year ended December 31, 2015, a \$5.2 million, or 1.5%, increase compared to \$337.1 million for the year ended December 31, 2014. This increase was due to increase in revenue related to our Display Solutions business line, which was partially offset by the decrease in revenue related to our Power Solutions business line as described below.

Net sales from our Display Solutions business line were \$207.5 million for the year ended December 31, 2015, a \$7.6 million, or 3.8%, increase from \$199.9 million for the year ended December 31, 2014. The increase in sales was primarily attributable to higher sales of Source Drivers among large display products, primarily for monitors, notebooks and TVs, which was partially offset by reduced sales of mobile display products.

Net sales from our Power Solutions business line were \$134.8 million for the year ended December 31, 2015, a \$2.4 million, or 1.7%, decrease from \$137.2 million for the year ended December 31, 2014. The decrease in sales was primarily attributable to reduced production of low gross margin Power Modules as part of our product portfolio optimization process, which was partially offset by increased demand for premium products such as high end MOSFETs and IGBTs primarily for mobile and industrial applications.

All Other. All other net sales were \$0.6 million for the year ended December 31, 2015 and December 31, 2014, respectively.

Gross Profit

Total gross profit was \$134.9 million for the year ended December 31, 2015 compared to \$152.9 million for the year ended December 31, 2014, an \$18.0 million, or 11.8%, decrease. Gross profit as a percentage of net sales for the year ended December 31, 2015 decreased slightly to 21.3% compared to 21.9% for the year ended December 31, 2014. The decrease in gross profit as a percentage of net sales was primarily attributable to the negative impact of unfavorable product mix and a lower utilization rate, partially offset by the positive impact of lower unit costs due to our cost reduction efforts from our Standard Products Group segment as further described below.

Foundry Services Group. Gross profit from our Foundry Services Group segment was \$66.2 million for the year ended December 31, 2015, a \$9.5 million, or 12.5%, decrease compared to \$75.7 million for the year ended December 31, 2014. Gross profit as a percentage of net sales for the year ended December 31, 2015 increased to 22.8% compared to 21.0% for the year ended December 31, 2014. The increase in gross profit as a percentage of net sales was mainly attributable to the positive impact of lower unit costs resulting from decrease in labor and utilities spending due to our continuing cost reduction efforts. This increase was partially offset by the negative impact of unfavorable product mix and a lower utilization rate mainly caused by reduced levels of demand from certain customers.

Standard Products Group. Gross profit from our Standard Products Group segment was \$68.1 million for the year ended December 31, 2015, a \$8.5 million, or 11.1%, decrease from \$76.6 million for the year ended December 31, 2014. Gross profit as a percentage of net sales for the year ended December 31, 2015 decreased to

19.9% compared to 22.7% for the year ended December 31, 2014. The decrease in gross profit as a percentage of net sales was primarily attributable to the negative impact of a lower utilization rate mainly caused by reduced levels of demand from certain customers, and unfavorable product mix due to decrease in mobile display product sales and increase in large display products sales. This decrease was partially offset by lower unit costs resulting from decrease in spending related to labor and utilities due to our continuing cost reduction efforts.

All Other. All other gross profit was \$0.6 million for the year ended December 31, 2015 and December 31, 2014, respectively.

Net Sales by Geographic Region

We report net sales by geographic region based on the location to which the products are billed. The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the years ended December 31, 2015 and 2014:

	<u>Year Ended December 31, 2015</u>		<u>Year Ended December 31, 2014</u>		<u>Change Amount</u>
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	
	(In millions)				
Korea	\$241.7	38.1%	\$260.1	37.3%	\$(18.4)
Asia Pacific (other than Korea)	316.6	50.0	324.2	46.4	(7.7)
U.S.A.	51.2	8.1	91.3	13.1	(40.1)
Europe	23.5	3.7	21.2	3.0	2.3
Others	0.8	0.1	1.4	0.2	(0.6)
	<u>\$633.7</u>	<u>100.0%</u>	<u>\$698.2</u>	<u>100.0%</u>	<u>\$(64.5)</u>

Net sales in the U.S. for the year ended December 31, 2015 decreased from \$91.3 million to \$51.2 million compared to the year ended December 31, 2014, or by \$40.1 million, or 43.9%, primarily due to the decrease in demand of our foundry services from customers serving the high end smartphone market.

Net sales in Korea for the year ended December 31, 2015 decreased from \$260.1 million to \$241.7 million compared to the year ended December 31, 2014, or by \$18.4 million, or 7.1%, primarily due to discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific. This decrease was partially offset by higher sales of large display products such as Source Drivers primarily for monitors, notebooks and TVs.

Net sales in Asia Pacific for the year ended December 31, 2015 decreased from \$324.2 million to \$316.6 million compared to the year ended December 31, 2014, or by \$7.7 million, or 2.4%. The decrease was primarily attributable to the negative impact of decrease in demand due to discontinuation of a certain product by a customer serving the smartphone market, and reduced demand for mobile display products primarily for table PCs and feature phones. This decrease was partially offset by the positive impact of discontinued use of a distributor in Korea and selling direct to OEM subsidiaries in Asia Pacific.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$94.4 million, or 14.9% of net sales for the year ended December 31, 2015, compared to \$127.0 million, or 18.2% of net sales for the year ended December 31, 2014. The decrease of \$32.6 million, or 25.7%, was primarily attributable to a \$28.5 million decrease in restatement related professional service fees and a \$2.6 million decrease in personnel costs due to our continuing cost reduction efforts.

Research and Development Expenses. Research and development expenses were \$83.4 million, or 13.2% of net sales for the year ended December 31, 2015, compared to \$92.8 million, or 13.3% of net sales for the year

ended December 31, 2014. The decrease of \$9.3 million, or 10.0%, was primarily due to the decrease in material and personnel costs mainly due to our continuing cost reduction efforts.

Restructuring and Impairment Charges. Restructuring and impairment charges of \$10.3 million recorded for the year ended December 31, 2014 were related to the planned closure of our six-inch fabrication facilities.

Operating Loss

As a result of the foregoing, operating loss decreased by \$34.2 million in the year ended December 31, 2015 compared to the year ended December 31, 2014. As discussed above, the decrease in operating loss resulted from a \$32.6 million decrease in selling, general and administrative expenses, which were mainly driven by decreased professional service fees related to the restatement and certain litigation, a \$10.3 million decrease in restructuring and impairment charges and a \$9.3 million decrease in research and development expenses, which was partially offset by a \$18.0 million decrease in gross profit.

Other Income (Expense)

Interest Expense. Interest expense was \$16.3 million for the year ended December 31, 2015 and \$16.8 million for the year ended December 31, 2014, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the year ended December 31, 2015 was \$42.5 million, compared to net foreign currency loss of \$24.7 million for the year ended December 31, 2014. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany balances at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain or loss from intercompany balances was included in determining our consolidated net income since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

Others, Net. Others were comprised of gains and losses on valuation of derivatives which were designated as hedging instruments, rental income and interest income. Others for the year ended December 31, 2015 and December 31, 2014 was \$1.8 million and \$2.9 million, respectively. The decrease of \$1.1 million was primarily attributable to net loss on valuation of derivatives due to hedge ineffectiveness.

Income Tax Expenses (Benefits)

We are subject to income taxes in the United States and many foreign jurisdictions and our effective tax rate is affected by changes in the mix of earnings between countries with differing tax rates. Our primary foreign operations are in Korea where the statutory tax rate applicable to us was approximately 24.2% in 2015 and 2014. Statutory tax rates for all foreign subsidiaries other than our Japanese subsidiary were less than the U.S. federal statutory rate of 35.0%.

We recorded income tax benefits of \$15.1 million for the year ended December 31, 2015 and income tax expenses of \$1.5 million for the year ended December 31, 2014. The effective tax rate was 15.1% for the year ended December 31, 2015, as compared to (1.3)% for the year ended December 31, 2014.

The income tax benefits computed at statutory tax rates for the years ended December 31, 2015 were substantially offset by changes in valuation allowance, the difference in foreign tax rates lower than the U.S. federal statutory rate and withholding taxes in our Dutch subsidiary. The significant increase in income tax benefits in 2015 is due to the reversal of withholding tax payable with respect to the waiver of the accrued interest on the loans granted to our Korean subsidiary by our Dutch subsidiary. On December 7, 2015, our Korean and Dutch subsidiaries agreed that our Dutch subsidiary waives and releases a partial amount of unpaid

interest of \$174 million on its intercompany loans granted to our Korean subsidiary in order to decrease the cumulative losses of our Korean subsidiary to enhance the subsidiary's credit standing under the local banking rules. This transaction created a taxable income for our Korean subsidiary but did not result in a liability because of the utilization of expired loss carryforwards, which is deductible only against gains from cancellation of debt. The loss was not tax deductible for our Dutch subsidiary. This transaction also resulted in taxable loss for our Luxemburg subsidiary and this tax benefit was offset by an increase in the change in valuation allowance. In connection with the waiver of unpaid interest, the related withholding tax was reversed, resulting in the recognition of income tax benefit of \$17.8 million as of December 31, 2015.

We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. The valuation allowances at December 31, 2015 and 2014 are primarily attributable to deferred tax assets for the uncertainty in taxable income at our Korean subsidiary for which we have recorded a full valuation allowance against the deferred tax assets, net of its deferred tax liabilities, and against certain of our foreign subsidiaries' deferred tax assets pertaining to their related tax loss carry-forwards and tax credits that are not anticipated to generate a tax benefit.

Net Loss

As a result of the foregoing, net loss decreased by \$32.3 million in the year ended December 31, 2015 compared to the year ended December 31, 2014. As discussed above, the decrease in net loss was primarily due to a \$34.2 million decrease in operating loss and a \$16.6 million decrease in income tax expenses, partially offset by a \$17.9 million increase in foreign currency loss.

Liquidity and Capital Resources

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

Our principal sources of liquidity are our cash, cash equivalents, our cash flows from operations and our financing activities. Our ability to manage cash and cash equivalents may be limited, as our primary cash flows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. From time to time, we may sell accounts receivable to third parties under factoring agreements or engage in accounts receivable discounting to facilitate the collection of cash. For a description of our factoring arrangements and accounts receivable discounting, please see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 3. Accounts Receivable" included elsewhere in this Report. In addition, from time to time, we may make payments to our vendors on extended terms with their consent. As of December 31, 2016, we do not have any accounts payable on extended terms or payment deferment with our vendors.

On January 17, 2017, MagnaChip Semiconductor S.A., our Luxembourg subsidiary, closed an offering (the "Notes Offering") of 5.00% Exchangeable Senior Notes due 2021 (the "Exchangeable Notes") with \$86.25 million aggregate principal amount, reflecting the full exercise of the initial purchasers' option to purchase additional Exchangeable Notes. We used the net proceeds from the Notes Offering to repurchase approximately \$11.4 million of our common stock as part of our stock repurchase program and plan to use the remaining net proceeds from the Notes Offering (i) for our anticipated cost reduction program to be implemented during 2017 (approximately \$30-40 million), (ii) for capital expenditures (approximately \$15-20 million), (iii) to repurchase additional common stock as part of our stock repurchase program (up to \$15 million in the aggregate) and (iv) for general corporate purposes.

We currently believe that we will have sufficient cash reserves from cash on hand and expected cash from operations to fund our operations and planned cost reduction program as well as capital expenditures for the next twelve months and the foreseeable future.

Many of the aspects of management's plan, growth strategies and cost reduction programs involve management's judgments and estimates that include factors that may be beyond our control, and actual results could differ materially from our current expectations. As a result, these and other factors could cause our business plans, strategies and cost reduction program to be unsuccessful, which could have a material adverse effect on our operating results, financial condition and liquidity.

As of December 31, 2016, cash and cash equivalents held by our Korean subsidiary were \$74.3 million, which represents 89% of our total cash and cash equivalents of \$83.4 million on a consolidated basis. We, as a holding company resident in the United States, issued our 2021 Notes. Payments under our outstanding 2021 Notes are currently funded in part by our Korean subsidiary's repayment of its existing loans from our Dutch subsidiary, with our Dutch subsidiary using such repayments in turn to repay the loans owed to our Luxembourg subsidiary, which repays loans owed to us. Repatriation of funds could have potentially adverse tax consequences. Our Exchangeable Notes were issued by our Luxembourg subsidiary and the proceeds from the Notes Offering, currently held by our Luxembourg subsidiary, are expected to be transferred to our Dutch and Korean subsidiaries through new intercompany loans. Therefore, we expect payments under the Exchangeable Notes to be funded in part by our Korean subsidiary's repayment of its existing or new loans from our Dutch subsidiary, with our Dutch subsidiary using such repayments in turn to repay loans owed to our Luxembourg subsidiary.

Year ended December 31, 2016 compared to year ended December 31, 2015

As of December 31, 2016, our cash and cash equivalents balance was \$83.4 million, a \$7.5 million decrease, compared to \$90.9 million as of December 31, 2015. The decrease resulted from \$15.9 million of cash outflow used in investing activities, which was partially offset by \$7.6 million of cash inflow provided by operating activities and \$1.7 million of cash inflow provided by financing activities.

Cash inflow provided by operating activities totaled \$7.6 million for the year ended December 31, 2016, compared to \$10.0 million of cash outflow used in operating activities for the year ended December 31, 2015. The net operating cash inflow for the year ended December 31, 2016 reflects our net loss of \$29.6 million and non-cash adjustments of \$55.6 million, which mainly consisted of depreciation and amortization, provision for severance benefits and foreign currency loss, and a net decrease in operating assets and liabilities of \$18.4 million.

Our working capital balance as of December 31, 2016 was \$89.3 million compared to \$93.7 million as of December 31, 2015. The \$4.4 million decrease was primarily attributable to a \$7.5 million decrease in cash and cash equivalents, a \$26.1 million decrease in other receivables and an \$8.4 million increase in deposits received, which were partially offset by an \$18.3 million increase in restricted cash, a \$16.4 million decrease in accrued expenses and a \$4.0 million decrease in account payables.

Cash flow used in investing activities totaled \$15.9 million for the year ended December 31, 2016, compared to \$3.4 million for the year ended December 31, 2015. The increase was primarily attributable to a \$12.7 million increase in capital expenditures (including payments for intellectual property registration).

Cash inflow generated by financing activities totaled \$1.7 million for the year ended December 31, 2016, compared to \$3.4 million for the year ended December 31, 2015. The decrease was primarily attributable to a \$1.7 million decrease in proceeds received from the issuance of common stock in connection with exercised options.

We routinely make capital expenditures to enhance our existing facilities and reinforce our global research and development capability. For the year ended December 31, 2016, capital expenditures (including payments for intellectual property registration) were \$19.8 million, a \$12.7 million, or 178.8%, increase from \$7.1 million for the year ended December 31, 2015. The increase was mainly due to supporting technology improvements at our fabrication facilities in anticipation of attaining manufacturing efficiency.

Year ended December 31, 2015 compared to year ended December 31, 2014

As of December 31, 2015, our cash and cash equivalents balance was \$90.9 million, a \$11.6 million decrease, compared to \$102.4 million as of December 31, 2014. The decrease resulted from \$10.0 million of cash outflow used in operating activities and \$3.4 million of cash outflow used in investing activities, which was partially offset by \$3.4 million of cash inflow provided by financing activities.

Cash outflow used in operating activities totaled \$10.0 million for the year ended December 31, 2015, compared to \$37.5 million of cash outflow used in operating activities in the year ended December 31, 2014. The net operating cash outflow for the year ended December 31, 2015 reflects our net loss of \$84.9 million and non-cash adjustments of \$94.6 million, which mainly consisted of depreciation and amortization, provision for severance benefits, a loss on foreign currency translation and an increase in net operating assets of \$19.7 million.

Our working capital balance as of December 31, 2015 was \$93.7 million compared to \$106.8 million as of December 31, 2014. The \$13.0 million decrease was primarily attributable to a \$11.6 million decrease in cash and cash equivalents, a \$17.7 million decrease in inventories, a \$9.5 million decrease in accounts receivable and a \$10.1 million increase in deferred revenue. These factors were partially offset by a \$21.3 million increase in other receivables, a \$15.3 million decrease in accounts payable and a \$4.3 million decrease in accrued expenses.

The decrease in inventories is primarily due to our efforts to better manage inventory levels. The decrease in accounts receivable is primarily due to timing of cash collection and the upfront payments received from certain customers for the sale of products prior to risk of loss being transferred based on the terms of the arrangement, and the increase in deferred revenue is mainly attributable to such upfront payments.

The increase in other receivables is mainly attributable to proceeds from insurance payments in the amount of \$2.4 million and proceeds of \$29.6 million from insurers. The decrease in accounts payable is primarily due to timing of payment for material purchases and the decrease in accrued expenses is primarily attributable to a write-off of withholding tax accrual resulting from a partial release of unpaid interest on intercompany loans granted to the Korean subsidiary by the Dutch subsidiary. This decrease in accrued expenses is partially offset by the increase in settlement payments of \$23.5 million related to the Class Action Litigation.

Cash flow used in investing activities totaled \$3.4 million in the year ended December 31, 2015, compared to \$16.7 million of cash used in investing activities in the year ended December 31, 2014. The decrease was primarily due to a decrease in capital expenditures (including payments for intellectual property registration) of \$11.3 million, partially offset by a \$6.3 million net increase in hedge collateral.

Cash inflows generated by financing activities totaled \$3.4 million for the year ended December 31, 2015, compared to \$0.1 million of cash outflow used in financing activities for the year ended December 31, 2014. The financing cash inflow for the year ended December 31, 2015 consisted of proceeds received from the issuance of common stock in connection with exercised options.

For the year ended December 31, 2015, capital expenditures (including payments for intellectual property registration) were \$7.1 million, an \$11.3 million, or 61.4%, decrease from \$18.4 million for the year ended December 31, 2014, due to acquisition of a specialized Epi tool and maintenance of our fab that occurred for the year ended December 31, 2014.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2016:

	Payments Due by Period						
	Total	2017	2018	2019	2020	2021	Thereafter
	(In millions)						
Senior notes(1)	\$299.5	\$14.9	\$14.9	\$14.9	\$14.9	\$239.9	\$—
Operating leases(2)	37.4	4.8	2.8	2.3	2.2	1.8	23.5
Others(3)	10.3	6.5	3.0	0.5	0.4	—	—

- (1) Interest payments as well as \$225.0 million aggregate principal amount of the 2021 Notes outstanding as of December 31, 2016, which bear interest at a rate of 6.625% per annum and are scheduled to mature in 2021.
- (2) Assumes constant currency exchange rate for Korean won to U.S. dollars of 1,208.5:1, the exchange rate as of December 31, 2016
- (3) Includes license agreements and other contractual obligations.

The table above does not include interest payments on the \$86.25 million aggregate principal amount of our Exchangeable Notes issued on January 17, 2017, which are expected to be approximately \$4.3 million per year.

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

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

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

We follow US GAAP guidance on uncertain tax positions. Our unrecognized tax benefits totaled \$2.5 million as of December 31, 2016. These unrecognized tax benefits have been excluded from the above table because we cannot estimate the period of cash settlement with the respective taxing authorities.

Although we are obligated to pay severance benefits to eligible employees with one or more years of service upon the termination of their employment based on their length of service and rate pay, we have no obligation to fund the accrued severance benefits. Our accrued severance benefits totaled \$129.2 million as of December 31, 2016. Our obligations in connection with severance benefits have been excluded from the above table because we are unable to reasonably estimate the rate of termination and related cash payments for future periods.

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the

reported amounts of revenues and expenses during the reporting periods and the related disclosures in our consolidated financial statements and accompanying notes.

We believe that 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.

Revenue Recognition

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

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

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

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

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

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

Sales of Accounts Receivable

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

Product Warranties

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

Inventories

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

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

Vendor Rebates

We, from time to time, entered into arrangements whereby rebates are obtained from vendors when we achieve certain levels of purchases. The vendor rebates are computed at an agreed upon amount or percentage of purchase levels. As these vendor rebates are impacted by actual and estimated purchases for the applicable agreed upon period, we periodically assess the progress of our purchase levels and revise the estimates when necessary. We account for such rebates as a reduction of inventory until we sell the product, at which time such rebates are reflected as a reduction of cost of sales in our consolidated statements of operations. Vendor rebates recorded as a reduction of inventory were \$0.4 million as of December 31, 2016 and as a reduction of cost of sales were \$4.0 million for the year ended December 31, 2016.

Impairment of Long-Lived Assets

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

Intangible Assets

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

Income Taxes

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

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

Derivative Financial Instruments

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

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

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

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

Recent Accounting Pronouncement

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 Annual Report on Form 10-K, 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 and interest rates. In the normal course of our business, we are subject to market risks associated with interest rate movements and currency movements on our assets and liabilities.

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at December 31, 2016 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of \$1.2 million in our U.S. dollar financial instruments and cash balances.

See “Note 8. 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.

Interest Rate Exposures

As of December 31, 2016, \$225.0 million aggregate principal amount of our 2021 Notes were outstanding. Interest on the 2021 Notes accrues at a fixed rate of 6.625% per annum and is paid semi-annually every January 15 and July 15 of each year until the 2021 Notes mature on July 15, 2021. Since the interest rate is fixed, we have no market risk related to the 2021 Notes.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
MagnaChip Semiconductor Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income/(loss), changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor Corporation and its subsidiaries (the "Company") at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these 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 Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
February 21, 2017

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
	(In thousands of US dollars, except share data)	
Assets		
Current assets		
Cash and cash equivalents	\$ 83,355	\$ 90,882
Restricted cash (Note 5)	18,251	—
Accounts receivable, net	61,775	63,498
Inventories, net	57,048	57,619
Other receivables (Note 18)	5,864	31,932
Prepaid expenses	8,137	7,075
Current deferred income tax assets	37	34
Hedge collateral (Note 8)	3,150	6,000
Other current assets	5,076	3,194
Total current assets	242,693	260,234
Property, plant and equipment, net	179,793	191,985
Intangible assets, net	3,085	2,629
Long-term prepaid expenses	9,556	12,117
Deferred income tax assets	193	238
Other non-current assets	6,632	6,897
Total assets	\$ 441,952	\$474,100
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 51,509	\$ 55,476
Other accounts payable	12,272	10,961
Accrued expenses	60,365	76,721
Deferred revenue	11,092	10,060
Deposits received (Note 5)	16,549	8,165
Other current liabilities	1,654	5,128
Total current liabilities	153,441	166,511
Long-term borrowings, net	221,082	220,375
Accrued severance benefits, net	129,225	134,148
Other non-current liabilities	10,318	15,396
Total liabilities	514,066	536,430
Commitments and contingencies (Note 18)		
Stockholders' equity		
Common stock, \$0.01 par value, 150,000,000 shares authorized, 41,627,103 shares issued and 35,048,338 outstanding at December 31, 2016 and 41,147,707 shares issued and 34,568,942 outstanding at December 31, 2015	416	411
Additional paid-in capital	130,189	124,618
Accumulated deficit	(125,825)	(96,210)
Treasury stock, 6,578,765 shares at December 31, 2016 and 2015, respectively	(90,918)	(90,918)
Accumulated other comprehensive income (loss)	14,024	(231)
Total stockholders' deficit	(72,114)	(62,330)
Total liabilities and stockholders' equity	\$ 441,952	\$474,100

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,		
	2016	2015	2014
	(In thousands of US dollars, except share data)		
Net sales	\$ 687,969	\$ 633,712	\$ 698,218
Cost of sales	531,743	498,848	545,356
Gross profit	<u>156,226</u>	<u>134,864</u>	<u>152,862</u>
Operating expenses			
Selling, general and administrative expenses	89,094	94,378	126,954
Research and development expenses	72,180	83,420	92,765
Restructuring and impairment charges (gain)	<u>(7,785)</u>	<u>—</u>	<u>10,269</u>
Total operating expenses	<u>153,489</u>	<u>177,798</u>	<u>229,988</u>
Operating income (loss)	2,737	(42,934)	(77,126)
Interest expense	(16,238)	(16,268)	(16,833)
Foreign currency loss, net	(15,360)	(42,531)	(24,650)
Other income, net	<u>2,990</u>	<u>1,779</u>	<u>2,900</u>
Loss before income tax expenses	(25,871)	(99,954)	(115,709)
Income tax expenses (benefits)	<u>3,744</u>	<u>(15,087)</u>	<u>1,523</u>
Net loss	<u>\$ (29,615)</u>	<u>\$ (84,867)</u>	<u>\$ (117,232)</u>
Loss per common share—			
Basic/ Diluted	<u>\$ (0.85)</u>	<u>\$ (2.47)</u>	<u>\$ (3.44)</u>
Weighted average number of shares—			
Basic/ Diluted	34,833,967	34,380,517	34,055,513

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

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

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(In thousands of US dollars)		
Net loss	<u>\$(29,615)</u>	<u>\$(84,867)</u>	<u>\$(117,232)</u>
Other comprehensive income			
Foreign currency translation adjustments	14,650	35,361	21,775
Derivative adjustments			
Fair valuation of derivatives	(1,032)	(3,748)	(69)
Reclassification adjustment for loss (gain) on derivatives included in net loss	637	3,222	(6,033)
Investment adjustments			
Unrealized gain on investments	—	—	1,201
Reclassification adjustment for gain on investments included in net loss	—	—	(1,882)
Total other comprehensive income	<u>14,255</u>	<u>34,835</u>	<u>14,992</u>
Total comprehensive loss	<u>\$(15,360)</u>	<u>\$(50,032)</u>	<u>\$(102,240)</u>

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands of US dollars, except share data)	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance at January 1, 2014	34,048,366	\$406	\$116,222	\$ 105,889	\$(90,918)	\$(50,058)	\$ 81,541
Stock-based compensation	—	—	2,072	—	—	—	2,072
Exercise of stock options	6,795	—	106	—	—	—	106
Exercise of warrants	1,307	—	19	—	—	—	19
Other comprehensive income, net	—	—	—	—	—	14,992	14,992
Net loss	—	—	—	(117,232)	—	—	(117,232)
Balance at December 31, 2014	34,056,468	\$406	\$118,419	\$ (11,343)	\$(90,918)	\$(35,066)	\$ (18,502)
Stock-based compensation	—	—	2,768	—	—	—	2,768
Exercise of stock options	512,474	5	3,431	—	—	—	3,436
Other comprehensive income, net	—	—	—	—	—	34,835	34,835
Net loss	—	—	—	(84,867)	—	—	(84,867)
Balance at December 31, 2015	34,568,942	\$411	\$124,618	\$ (96,210)	\$(90,918)	\$ (231)	\$ (62,330)
Stock-based compensation	—	—	3,843	—	—	—	3,843
Exercise of stock options	296,103	3	1,730	—	—	—	1,733
Settlement of restricted stock units	183,293	2	(2)	—	—	—	—
Other comprehensive income, net	—	—	—	—	—	14,255	14,255
Net loss	—	—	—	(29,615)	—	—	(29,615)
Balance at December 31, 2016	35,048,338	\$416	\$130,189	\$(125,825)	\$(90,918)	\$ 14,024	\$ (72,114)

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,		
	2016	2015	2014
	(In thousands of US dollars)		
Cash flows from operating activities			
Net loss	\$(29,615)	\$(84,867)	\$(117,232)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization	25,416	26,490	29,989
Provision for severance benefits	14,432	15,289	17,703
Bad debt expenses (reversal of allowance)	(148)	(3)	3,718
Amortization of debt issuance costs and original issue discount	707	660	614
Loss on foreign currency, net	18,884	46,984	32,760
Gain on disposal of investments	—	—	(1,524)
Impairment charges	—	—	10,269
Stock-based compensation	3,843	2,768	2,072
Restructuring gain	(7,785)	—	—
Other	251	2,437	1,375
Changes in operating assets and liabilities			
Accounts receivable, net	285	3,299	(1,668)
Inventories, net	(557)	12,929	(3,380)
Other receivables	19,125	(21,463)	(5,052)
Other current assets	5,000	11,339	9,308
Deferred tax assets	65	372	1,458
Accounts payable	(4,163)	(12,605)	(1,526)
Other accounts payable	(6,603)	(10,892)	(13,046)
Accrued expenses	(16,305)	(1,679)	208
Deferred revenue	1,674	8,136	(825)
Other current liabilities	(5,331)	(1,210)	2,004
Other non-current liabilities	(1,574)	3,105	1,963
Payment of severance benefits	(15,352)	(11,394)	(6,650)
Other (Note 18)	5,382	328	(7)
Net cash provided by (used in) operating activities	<u>7,631</u>	<u>(9,977)</u>	<u>(37,469)</u>
Cash flows from investing activities			
Proceeds from settlement of hedge collateral	6,317	10,841	—
Payment of hedge collateral	(3,552)	(17,182)	—
Proceeds from disposal of plant, property and equipment	688	9,886	20
Proceeds from disposal of investments	—	—	2,003
Purchase of property, plant and equipment	(18,727)	(6,350)	(17,419)
Payment for intellectual property registration	(1,049)	(742)	(958)
Collection of guarantee deposits	619	636	—
Payment of guarantee deposits	(193)	(675)	(323)
Other	23	195	(21)
Net cash used in investing activities	<u>(15,874)</u>	<u>(3,391)</u>	<u>(16,698)</u>
Cash flows from financing activities			
Proceeds from issuance of common stock	1,732	3,436	68
Net cash provided by financing activities	<u>1,732</u>	<u>3,436</u>	<u>68</u>
Effect of exchange rates on cash and cash equivalents	(1,016)	(1,620)	2,927
Net decrease in cash and cash equivalents	<u>(7,527)</u>	<u>(11,552)</u>	<u>(51,172)</u>
Cash and cash equivalents			
Beginning of the period	90,882	102,434	153,606
End of the period	<u>\$ 83,355</u>	<u>\$ 90,882</u>	<u>\$ 102,434</u>
Supplemental cash flow information			
Cash paid for interest	\$ 14,906	\$ 15,181	\$ 14,817
Cash paid (refunded) for income taxes	\$ 693	\$ (5,276)	\$ 875
Non-cash investing and financing activities			
Property, plant and equipment additions in other accounts payable	\$ 3,091	\$ 3,348	\$ 688
Restricted cash received from sale of property, plant and equipment	<u>\$ (16,917)</u>	<u>\$ —</u>	<u>\$ —</u>

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

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

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

Business

MagnaChip Semiconductor Corporation (together with its subsidiaries, the “Company”) is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for consumer, computing, communication, industrial, automotive and Internet of Things (“IoT”) applications. The Company provides technology platforms for analog, mixed signal, power, high voltage, non-volatile memory and Radio Frequency (“RF”) applications. The Company’s business is comprised of two operating segments: Foundry Services Group and Standard Products Group. The Company’s Foundry Services Group provides specialty analog and mixed-signal foundry services mainly for fabless and Integrated Device Manufacturer (“IDM”) semiconductor companies that primarily serve the consumer, computing, communication, industrial, automotive and IoT applications. The Company’s Standard Products Group is comprised of two business lines: Display Solutions and Power Solutions. The Company’s Display Solutions products provide flat panel display solutions to major suppliers of large and small flat panel displays and include sensor products for mobile applications, and industrial applications and home appliances. The Company’s Power Solutions products include discrete and integrated circuit solutions for power management in consumer, communication and industrial applications.

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

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 US 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, intangible assets, 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 income taxes and deferred tax valuation allowances, and assumptions used in the calculation of sales incentives, 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. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Foreign Currency Translation

The Company has assessed in accordance with Accounting Standards Codification (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

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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 (loss) of stockholders' equity. Gains and losses due to transactions in currencies other than the functional currency are included as a component of other income, net in the statement 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

An allowance for doubtful accounts is provided based on the aggregate estimated uncollectability of the Company's accounts receivable. 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. In addition, the Company also includes in accounts receivable, an allowance for additional products that may have to be provided, free of charge, to compensate customers for products that do not meet previously agreed yield criteria, the low yield compensation reserve.

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 constraints 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 earnings during the period of sale.

Inventories

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

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

Vendor Rebates

The Company, from time to time, entered into arrangements whereby rebates are obtained from vendors when the Company achieves certain levels of purchases. The vendor rebates are computed at an agreed upon amount or percentage of purchase levels. As these vendor rebates are impacted by actual and estimated purchases for the applicable agreed upon period, the Company periodically assess the progress of its purchase levels and revise the estimates when necessary. The Company accounts for such rebates as a reduction of inventory until the Company sells the product, at which time such rebates are reflected as a reduction of cost of sales in its consolidated statements of operations. Vendor rebates recorded as a reduction of inventory were \$359 thousand as of December 31, 2016 and as a reduction of cost of sales were \$4,044 thousand for the year ended December 31, 2016.

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.

Restructuring Charges

The Company recognizes restructuring charges in accordance with ASC 420, “Exit or Disposal Cost Obligations”. Certain costs and expenses related to exit or disposal activities are recorded as restructuring charges when liabilities for those costs and expenses are incurred.

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are

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recorded at the lower of the present value of future minimum lease payments and estimated fair value of leased property and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the shorter of the estimated useful lives of the leased property and the lease term.

Intangible Assets

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

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 US 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 and 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 is for employees in the Company’s Korean subsidiary, MagnaChip Semiconductor Ltd. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible

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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, 2016, 98% of all employees of the Company were eligible for severance benefits.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a reduction of the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is 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

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

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

The Company recorded deferred revenue in the amount of \$11,092 thousand as of December 31, 2016 and \$10,060 thousand as of December 31, 2015 as the Company received cash from certain customers and distributors for the sale of products prior to risk of loss being transferred based on the terms of the arrangement.

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

The Company provides a warranty, under which customers can return defective products. The Company estimates the costs related to those defective product returns and records them as a component of cost of sales.

In addition, the Company offers sales returns (other than those that relate to defective products under warranty), yield provisions, cash discounts for early payments and certain allowances to its customers, including distributors. The Company records reserves for those returns, discounts and allowances as a deduction from sales, based on historical experience and other quantitative and qualitative factors.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling, general and administrative expenses. The amounts charged to selling, general and administrative expenses were \$1,631 thousand, \$2,394 thousand, and \$3,386 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

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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.

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

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

Advertising

The Company expenses advertising costs as incurred. Advertising expense was approximately \$149 thousand, \$144 thousand and \$155 thousand for the years ended December 31, 2016, 2015 and 2014, 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 liability include historical and anticipated rates of warranty claims and repair or replacement costs per claim to satisfy the Company’s warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts when necessary.

Research and Development

Research and development costs 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

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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 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, expected volatility and fair value of underlying common share. 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. The expected volatility was estimated using historical volatility of share prices of similar public entities. No dividends were assumed for this calculation of option value.

Earnings per Share

In accordance with ASC 260, “Earnings Per Share”, the Company computes basic earnings per share by dividing net income (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. 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 bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when it is necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

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

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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.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, Statement of Cash Flows, ("ASC 230") including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. These ASUs are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2016-15 to have a material effect on the Company's consolidated financial statements. The adoption of ASU 2016-18 will modify the Company's current disclosures by reclassifying certain balances within the consolidated statement of cash flows, but this is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 can be applied either on a retrospective or prospective basis and is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The Company will adopt ASU 2016-09 in the first quarter of 2017. The primary impact of adoption will be the recognition of excess tax benefits within income tax provision rather than within shareholders' equity, which the Company will adopt on a prospective basis. As the Company does not have a significant amount of excess tax benefits from share-based payment transactions, it does not expect the adoption of ASU 2016-09 to have a material effect on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02") in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under US GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those reporting periods using a modified retrospective approach and early adoption is permitted. The Company is performing a preliminary review of its contracts that are expected to be applied under the new guidance.

In November 2015, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-

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17”). The amendments in ASU 2015-17 require an entity to classify all deferred tax assets and liabilities as noncurrent. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The Company will adopt ASU 2015-17 in the first quarter of 2017. As the Company does not have a significant balance of current deferred tax assets and liabilities, it believes that the implementation of this guidance will have no material impact on its consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, “Simplifying the Measurement of Inventory” (“ASU 2015-11”). Under this ASU, inventory will be measured at the lower of cost and net realizable value, and options that currently exist for market value will be eliminated. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The Company will adopt ASU 2015-11 in the first quarter of 2017 and believes that the implementation of this guidance will have no material impact on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 (the “Original Effective Date”), including interim periods within that reporting period, and can be adopted either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption, with early application permitted as of the Original Effective Date. In August 2015, the FASB issued ASU 2015-14 “Deferral of the Effective Date,” which defers the required adoption date of ASU 2014-09 by one year. As a result of the deferred effective date, ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, “Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” (“ASU 2016-08”) clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”) clarifying how to assess collectibility, present sales tax, treat noncash consideration, and account for completed and modified contracts at the time of transition. In addition, ASU 2016-12 clarifies that an entity retrospectively applying the guidance in Topic 606 is not required to disclose the effect of the accounting change in the period of adoption. The effective date and transition requirements for ASU 2016-12, ASU 2016-08 and ASU 2014-09 are the same. Finally, ASU 2016-20 makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Company started analyzing the potential impact of applying the new guidance by reviewing its current accounting policies, customer arrangements and practices. The Company has not selected a transition method nor have we determined the effect of the standard to the Company’s consolidated financial statements.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, “Interest—Imputation of Interest” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a

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direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as an asset in the balance sheet. The Company adopted ASU 2015-03 in the first quarter of fiscal 2016 and recorded \$3,203 thousand of debt issuance costs as a reduction of long-term borrowings as of December 31, 2016. Pursuant to ASU 2015-03, the Company reclassified all prior periods presented in its consolidated balance sheets to conform to the current period presentation, resulting in the reclassification of debt issuance costs of \$3,781 thousand from other non-current assets to a reduction of long-term borrowings as of December 31, 2015. The adoption of ASU 2015-03 did not impact the Company’s consolidated statements of operations and cash flows.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, “Presentation of Financial Statements – Going Concern” (“ASU 2014-15”), which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. ASU 2014-15 requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. An entity will be required to provide certain disclosures if conditions of events raise substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15 was effective for the Company in the fourth quarter of 2016. The adoption of ASU 2014-15 did not impact the Company’s consolidated financial statements.

2. 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, 2016, the following table represents the Company’s liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value December 31, 2016</u>	<u>Fair Value Measurement December 31, 2016</u>	<u>Quoted Prices in Active Markets for Identical Asset (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Liabilities:					
Derivative liabilities (other current liabilities)	\$453	\$453	—	\$453	—

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As of December 31, 2015, the following table represents the Company’s liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value December 31, 2015</u>	<u>Fair Value Measurement December 31, 2015</u>	<u>Quoted Prices in Active Markets for Identical Asset (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Liabilities:					
Derivative liabilities (other current liabilities)	\$40	\$40	—	\$40	—

Items not reflected in the table above include cash and cash equivalents, restricted cash, 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, with the exception of cash (Level 1).

Fair Value of Long-term Borrowings

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
	(In thousands of US dollars)			
Long-term Borrowings:				
6.625% senior notes due July 2021 (Level 2)	\$221,082	\$193,500	\$220,375	\$157,500

On July 18, 2013, the Company issued 6.625% senior notes due July 15, 2021 (the “2021 Notes”) of \$225.0 million, which represents the principal amount, excluding \$1.1 million of original issue discount and \$5.1 million of debt issuance costs. The Company estimates the fair value of the 2021 Notes using the market approach, which utilizes quoted market prices that fall under Level 2. For further description of the 2021 Notes, see Note 10, “Long-term Borrowings”.

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, 2016 and 2015, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis.

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3. Accounts Receivable

Accounts receivable as of December 31, 2016 and 2015 consisted of the following (in thousands):

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Accounts receivable	\$63,116	\$60,892
Notes receivable	281	4,803
Less:		
Allowances for doubtful accounts	(83)	(236)
Sales return reserves	(1,107)	(1,481)
Low yield compensation reserve	(432)	(480)
Accounts receivable, net	<u>\$61,775</u>	<u>\$63,498</u>

Changes in allowance for doubtful accounts for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$(236)	\$(263)	\$ (268)
Reversal (Provision)	148	3	(3,718)
Write off	—	—	3,508
Translation adjustments	5	24	215
Ending balance	<u>\$ (83)</u>	<u>\$(236)</u>	<u>\$ (263)</u>

Changes in sales return reserves for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$(1,481)	\$ (787)	\$(1,205)
Provision	(26)	(1,586)	(3,224)
Usage	361	851	3,598
Translation adjustments	39	41	44
Ending balance	<u>\$(1,107)</u>	<u>\$(1,481)</u>	<u>\$ (787)</u>

Changes in low yield compensation reserve for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$(480)	\$(1,100)	\$(1,951)
Reversal (Provision)	(29)	69	(766)
Usage	63	512	1,563
Translation adjustments	14	39	54
Ending balance	<u>\$(432)</u>	<u>\$ (480)</u>	<u>\$(1,100)</u>

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The Company has entered into an agreement to sell selected trade accounts receivable to a financial institution from time to time since March 2012. After the sale, the Company does not retain any interest in the receivables and the applicable financial institution collects these accounts receivable directly from the customer. The proceeds from the sales of these accounts receivable totaled \$25,146 thousand, \$57,185 thousand and \$22,256 for the years ended December 31, 2016, 2015 and 2014, respectively, and these sales resulted in pre-tax losses of \$78 thousand, \$114 thousand and \$64 thousand for the years ended December 31, 2016, 2015 and 2014, respectively, which are included in selling, general and administrative expenses in the consolidated statements of operations. Net proceeds of the 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.

4. Inventories

Inventories as of December 31, 2016 and 2015 consist of the following (in thousands):

	Year Ended December 31,	
	2016	2015
Finished goods	7,867	18,427
Semi-finished goods and work-in-process	46,653	47,131
Raw materials	7,846	5,987
Materials in-transit	1,859	2,107
Less: inventory reserve	<u>(7,177)</u>	<u>(16,033)</u>
Inventories, net	<u>\$57,048</u>	<u>\$ 57,619</u>

Changes in inventory reserve for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	\$(16,033)	\$(47,488)	\$(72,400)
Change in reserve	(2,661)	297	(883)
Write off	11,384	29,146	23,765
Translation adjustments	<u>133</u>	<u>2,012</u>	<u>2,030</u>
Ending balance	<u>\$ (7,177)</u>	<u>\$(16,033)</u>	<u>\$(47,488)</u>

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

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5. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2016 and 2015 are comprised of the following (in thousands):

	December 31,	
	2016	2015
Buildings and related structures	\$ 64,939	\$ 66,487
Machinery and equipment	255,618	256,259
Others	29,492	27,075
	<u>350,049</u>	<u>349,821</u>
Less: accumulated depreciation	(184,521)	(172,546)
Land	14,265	14,710
Property, plant and equipment, net	<u>\$ 179,793</u>	<u>\$ 191,985</u>

Aggregate depreciation expenses totaled \$24,941 thousand and \$26,130 thousand for the years ended December 31, 2016 and 2015, respectively.

As of December 21, 2016, The Company entered into a purchase and sale agreement to sell a building located in Cheongju, South Korea. The building has historically been used to house the 6-inch fab and became vacant upon the closure of the fabrication facility. As of December 31, 2015, the building was fully impaired. The Company received proceeds of \$18,204 thousand, including a \$1,655 thousand value-added tax, for the sale of the building on December 26, 2016. The Company is obligated to perform certain removal construction work that is expected to be completed by the end of March 2017. Accordingly, the Company recorded the \$18,204 thousand proceeds as restricted cash and \$16,549 thousand as deposits received in its consolidated balance sheets as of December 31, 2016.

6. Intangible Assets

Intangible assets as of December 31, 2016 and 2015 are comprised of the following (in thousands):

	December 31, 2016		
	Gross amount	Accumulated amortization	Net amount
Technology	\$17,903	\$(17,903)	\$ —
Customer relationships	25,712	(25,712)	—
Intellectual property assets	9,026	(5,941)	3,085
Intangible assets, net	<u>\$52,641</u>	<u>\$(49,556)</u>	<u>\$3,085</u>

	December 31, 2015		
	Gross amount	Accumulated amortization	Net amount
Technology	\$18,460	\$(18,460)	\$ —
Customer relationships	26,513	(26,513)	—
Intellectual property assets	8,357	(5,728)	2,629
Intangible assets, net	<u>\$53,330</u>	<u>\$(50,701)</u>	<u>\$2,629</u>

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Aggregate amortization expense for intangible assets totaled \$475 thousand and \$360 thousand for the years ended December 31, 2016 and 2015, respectively. The aggregate amortization expense of intangible assets for the next five years are estimated to be \$525 thousand, \$525 thousand, \$524 thousand, \$504 thousand and \$470 thousand, for the years ended December 31, 2017, 2018, 2019, 2020 and 2021, respectively.

7. Accrued Expenses

Accrued expenses as of December 31, 2016 and 2015 are comprised of the following (in thousands):

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Payroll, benefits and related taxes, excluding severance benefits	\$24,982	\$18,831
Withholding tax attributable to intercompany interest income	15,573	13,130
Interest on senior notes	6,831	6,831
Settlement obligations	243	1,012
Accrued claim settlement	—	23,500
Outside service fees	4,423	4,327
Others	8,313	9,090
Accrued expenses	<u>\$60,365</u>	<u>\$76,721</u>

Accrued claim settlement included in the table above relates to the Company’s securities class action complaints. On December 10, 2015, it was determined that the Company was obligated to make an aggregate settlement payment of \$23,500 thousand, which includes all attorneys’ fees, costs of administration and plaintiffs’ out-of-pocket expenses, lead plaintiff compensatory awards and disbursements. In connection with the securities class action complaints, the Company also settled with its insurers and obtained proceeds of \$29,571 thousand in the first quarter of 2016, and disbursed the \$23,500 thousand from the escrow account, recorded as restricted cash, in the third quarter of 2016. For more information on the accrued claim settlement, see “Note 18. Commitments and Contingencies”.

Payroll, benefits and related taxes payable as of December 31, 2016 in the table above includes unpaid other termination benefits under the voluntary resignation program of \$1,392 thousand, the remaining balance of the \$4,241 thousand total aggregate expense for such benefits accrued during the second quarter of 2016 and being paid out in equal monthly installments over the twelve month period which began in May 2016.

8. 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, 2016 are as follows (in thousands):

<u>Date of transaction</u>	<u>Type of derivative</u>	<u>Total notional amount</u>	<u>Month of settlement</u>
November 11, 2016	Zero cost collar	\$18,000	March to August 2017

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Details of derivative contracts as of December 31, 2015 are as follows (in thousands):

<u>Date of transaction</u>	<u>Type of derivative</u>	<u>Total notional amount</u>	<u>Month of settlement</u>
September 30, 2015	Zero cost collar	\$30,000	January to March 2016
September 30, 2015	Zero cost collar	\$30,000	April to June 2016

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 Company is utilizing the “hypothetical derivative” method to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the “hypothetical derivative.”

The fair values of the Company’s outstanding zero cost collar contracts recorded as liabilities as of December 31, 2016 and 2015 are as follows (in thousands):

<u>Derivatives designated as hedging instruments:</u>	<u>December 31,</u>		
	<u>2016</u>	<u>2015</u>	
Liability Derivatives:			
Zero cost collars	Other current liabilities	\$453	\$40

Offsetting of derivative liabilities as of December 31, 2016 is as follows (in thousands):

<u>As of December 31, 2016</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of liabilities presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral pledged</u>	
Liability Derivatives:						
Zero cost collars	\$453	\$—	\$453	\$—	\$(650)	\$(197)

Offsetting of derivative liabilities as of December 31, 2015 is as follows (in thousands):

<u>As of December 31, 2015</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of liabilities presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral received/pledged</u>	
Liability Derivatives:						
Zero cost collars	\$40	\$—	\$40	\$—	\$—	\$40

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

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The following table summarizes the impact of derivative instruments on the consolidated statement of operations for the years ended December 31, 2016 and 2015 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion)		Location of Loss Reclassified from AOCI into Statement of Operations (Effective Portion)	Amount of Loss Reclassified from AOCI into Statement of Operations (Effective Portion)		Location of Loss Recognized in Statement of Operations on Derivative (Ineffective Portion)	Amount of Loss Recognized in Statement of Operations on Derivatives (Ineffective Portion)	
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Zero cost collars	\$(1,032)	\$(3,748)	Net sales	\$(637)	\$(3,222)	Other income, net	\$(272)	\$(516)

As of December 31, 2016, the amount expected to be reclassified from accumulated other comprehensive income into loss within the next twelve months is \$436 thousand.

The Company set aside \$2,500 thousand and \$6,000 thousand of cash deposits to the counterparty, Nomura Financial Investment (Korea) Co., Ltd. (“NFIK”) as required for the zero cost collar contracts outstanding as of December 31, 2016 and 2015, respectively. These cash deposits are recorded as hedge collateral on the consolidated balance sheets.

The Company is required to deposit additional cash collateral with NFIK for any exposure in excess of \$500 thousand, and \$650 thousand was required as of December 31, 2016 and recorded as hedge collateral on the consolidated balance sheets. There was no such cash collateral required as of December 31, 2015. These outstanding zero cost collar contracts are subject to termination if the sum of qualified and unrestricted cash and cash equivalents held by the Company is less than \$30,000 thousand on the last day of a fiscal quarter.

9. Product Warranties

Changes in accrued warranty liabilities for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Year Ended December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$1,425	\$2,973	\$ 877
Change in provision	(426)	(648)	7,194
Usage	(527)	(758)	(4,923)
Translation adjustments	(6)	(142)	(175)
Ending balance	<u>\$ 466</u>	<u>\$1,425</u>	<u>\$ 2,973</u>

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10. Long-term Borrowings

Long-term borrowings as of December 31, 2016 and 2015 are as follows (in thousands):

	December 31,	
	2016	2015
6.625% senior notes due July 2021	\$225,000	\$225,000
Less: unamortized discount and debt issuance costs	(3,918)	(4,625)
Long-term borrowings, net of unamortized discount and debt issuance costs	\$221,082	\$220,375

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

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

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

These covenants are subject to a number of exceptions and qualifications. Certain of these restrictive covenants will terminate if the 2021 Notes are rated investment grade at any time.

11. Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company’s Korean subsidiary. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible employees and executive officers

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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, 2016, 98% of all employees of the Company were eligible for severance benefits.

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

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Beginning balance	\$135,160	\$140,405
Provisions	14,432	15,289
Severance payments	(15,352)	(11,394)
Translation adjustments	(4,096)	(9,140)
	<u>130,144</u>	<u>135,160</u>
Less: Cumulative contributions to the National Pension		
Fund	(276)	(307)
Group severance insurance plan	(643)	(705)
Accrued severance benefits, net	<u>\$129,225</u>	<u>\$134,148</u>

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

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

	<u>Severance Benefit</u>
2017	\$ —
2018	—
2019	788
2020	1,495
2021	2,567
2022 – 2026	19,002

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.

The above table reflects an effect of a mandatory extension of retirement age in Korea from 57 to 60 under the Employment Promotion for the Aged Act effective from the beginning of 2016.

12. Common Stock

Common stock par value \$0.01 per share, was authorized in the amount of 150,000 thousand shares, of which 41,627 thousand shares were issued and 35,048 thousand shares were outstanding as of December 31, 2016.

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Changes in common stock for each period are as follows (in thousands):

	Year Ended December 31,			
	2016		2015	
	Shares	Amount	Shares	Amount
Common stock at the beginning of the period	34,568,942	\$411	34,056,468	\$406
Exercise of stock options	296,103	3	512,474	5
Settlement of restricted stock units	183,293	2	—	—
Total common stock outstanding at the end of the period	<u>35,048,338</u>	<u>\$416</u>	<u>34,568,942</u>	<u>\$411</u>

13. 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. However, options granted under the 2009 Plan prior to its termination will remain outstanding until they are either exercised or expire. 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. Awards may be granted under the 2011 Plan to the Company’s employees, officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While the Company may grant incentive stock options only to employees, the Company may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units 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 options shall not exceed ten years from the date of grant. Restricted stock purchase rights shall be exercisable within a period established by the Compensation Committee, which shall in no event exceed thirty days from the effective date of the grant. As of December 31, 2016, an aggregate maximum of 7,274 thousand shares were authorized and 557 thousand 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. The requisite service period, or the period during which a grantee is required to provide service in exchange for option grants, coincides with the vesting period. Stock options typically vest over three years following grant.

Restricted stock units granted under the 2011 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 three years following grant.

The purchase price for shares issuable under each restricted stock purchase right shall be established by the Compensation Committee in its discretion. No monetary payment (other than applicable tax withholding) shall

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be required as a condition of receiving shares pursuant to a restricted stock bonus, the consideration for which shall be services actually rendered to a participating company or for its benefit. 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. During any period in which stock acquired pursuant to a restricted stock award remain subject to vesting conditions, such stock may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an ownership change event or transfer by will or the laws of descent and distribution. The grantee shall have all of the rights of a stockholder of the Company holding stock, including the right to vote such stock and to receive all dividends and other distributions paid with respect to such stock; provided, however, that if so determined by the Compensation Committee and provided by the award agreement, such dividends and distributions shall be subject to the same vesting conditions as the stock subject to the restricted stock award with respect to which such dividends or distributions were paid. If a grantee's service terminates for any reason, whether voluntary or involuntary (including the grantee's death or disability), then (a) the Company (or its assignee) has the option to repurchase for the purchase price paid by the grantee any stock acquired by the grantee pursuant to a restricted stock purchase right which remain subject to vesting conditions as of the date of the grantee's termination of service and (b) the grantee shall forfeit to the Company any stock acquired by the grantee pursuant to a restricted stock bonus which remain subject to vesting conditions as of the date of the grantee's termination of service. The Company has the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

The following summarizes restricted stock unit activities for the year ended December 31, 2016 and 2015. For the year ended December 31, 2014, there were no restricted stock unit activities.

	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value of Restricted Stock Units
Outstanding at January 1, 2015	—	\$ —
Granted	265,332	7.68
Vested	(129,962)	7.64
Outstanding at December 31, 2015	<u>135,370</u>	<u>\$7.72</u>
Granted	505,689	5.71
Vested	(101,240)	7.09
Forfeited	(21,339)	6.24
Outstanding at December 31, 2016	<u>518,480</u>	<u>\$5.94</u>

Total compensation expenses recorded for the restricted stock units were \$2,292 thousand and \$1,400 thousand for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, there was \$1,030 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 0.6 of a year. Total fair value of restricted stock units vested were \$717 thousand and \$993 thousand for the years ended December 31, 2016 and 2015, respectively.

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The following summarizes stock option activities for the years ended December 31, 2016, 2015 and 2014. 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, 2014	2,944,645	\$ 8.82	\$31,558	7.3 years
Granted	310,000	16.75	—	—
Forfeited	(31,905)	8.34	—	—
Exercised	(6,795)	7.03	—	—
Outstanding at December 31, 2014	<u>3,215,945</u>	\$ 9.60	\$39,615	6.6 years
Vested and expected to vest at December 31, 2014	3,204,967	9.58	39,610	6.6 years
Exercisable at December 31, 2014	<u>2,760,402</u>	8.70	39,187	6.3 years
Outstanding at January 1, 2015	3,215,945	\$ 9.60	\$39,615	6.6 years
Granted	802,193	7.92	—	—
Forfeited	(325,765)	9.88	—	—
Exercised	(512,474)	6.70	—	—
Outstanding at December 31, 2015	<u>3,179,899</u>	\$ 9.61	\$ —	6.7 years
Vested and expected to vest at December 31, 2015	3,155,828	9.62	—	6.7 years
Exercisable at December 31, 2015	<u>2,547,902</u>	9.63	—	6.0 years
Outstanding at January 1, 2016	3,179,899	\$ 9.61	\$ —	6.7 years
Granted	827,406	6.04	—	—
Forfeited	(282,537)	7.67	—	—
Exercised	(296,103)	5.85	—	—
Outstanding at December 31, 2016	<u>3,428,665</u>	\$ 9.23	\$ 525	6.7 years
Vested and expected to vest at December 31, 2016	3,389,763	9.27	508	6.7 years
Exercisable at December 31, 2016	<u>2,531,243</u>	10.11	236	5.9 years

Total compensation expenses recorded for the stock options were \$1,551 thousand, \$1,368 thousand and \$2,072 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was \$697 thousand of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average future period of 1.0 year. Total fair value of options vested was \$1,011 thousand, \$1,361 thousand and \$2,957 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

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The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted for the years ended December 31, 2016, 2015 and 2014 and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Year Ended December 31,		
	2016	2015	2014
Grant-date fair value of option	\$ 1.54	\$ 1.67	\$ 4.10
Expected term	2.7 Years	2.4 Years	2.7 Years
Risk-free interest rate	1.0%	0.8%	0.7%
Expected volatility	36.8%	33.8%	36.7%
Expected dividends	—	—	—

The number and weighted average grant-date fair value of the unvested stock options are as follows:

	Year Ended December 31,					
	2016		2015		2014	
	Number	Weighted Average Grant- Date Fair Value	Number	Weighted Average Grant- Date Fair Value	Number	Weighted Average Grant- Date Fair Value
Unvested options at the beginning of the period	631,997	\$2.40	455,543	\$4.18	998,170	\$3.69
Granted options during the period	827,406	1.54	802,193	1.67	310,000	4.10
Vested options during the period	(446,570)	2.26	(532,682)	2.56	(819,818)	3.61
Forfeited options during the period	(85,934)	1.88	(92,959)	4.01	(31,905)	3.20
Exercised options during the period	(29,478)	1.24	(98)	3.08	(904)	3.16
Unvested options at the end of the period	<u>897,421</u>	\$1.72	<u>631,997</u>	\$2.40	<u>455,543</u>	\$4.18

14. Restructuring and Impairment Charges

2016 Restructuring Gain

During the first quarter of 2016, the Company completed all procedures necessary to sell all machineries in its closed 6-inch fab and recognized the \$7,785 thousand of restructuring gain from the related deposit of \$8,165 thousand received as of December 31, 2015, net of certain direct selling costs.

2014 Impairment Charges

The Company recognized \$10,269 thousand of impairment charges, which were incurred due to the planned closure of its six-inch fabrication facility. The impairment charges primarily resulted from \$8,239 thousand of impairment to building, \$1,763 thousand of impairment of machinery and equipment and \$267 thousand of impairment of other tangible assets.

15. Foreign Currency Gain (Loss), Net

Net foreign currency gain or loss includes non-cash translation gain or loss associated with intercompany balances. A substantial portion of the Company's net foreign currency gain or loss is non-cash translation gain or

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loss associated with intercompany long-term loans to our 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, 2016, 2015 and 2014, the outstanding intercompany loan balances including accrued interest between the Korean subsidiary and the Dutch subsidiary were \$598,212 thousand, \$591,388 thousand and \$765,265 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,208.5:1, 1,172.0:1 and 1,099.2:1 using the first base rate as of December 31, 2016, 2015 and 2014, respectively, as quoted by the KEB Hana Bank.

16. Income Taxes

The Company's income tax expenses are composed of domestic and foreign income taxes depending on the relevant tax jurisdictions. Domestic income (loss) before taxes and income tax expenses are generated or incurred in the United States, where the parent company resides.

The components of income tax expense are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income (loss) before income taxes			
Domestic	\$ (1,738)	\$ 32,903	\$ (22,146)
Foreign	(24,133)	(132,857)	(93,563)
	<u>\$(25,871)</u>	<u>\$ (99,954)</u>	<u>\$(115,709)</u>
Current income taxes expense (benefit)			
Domestic	\$ (6)	\$ 25	\$ (3,300)
Foreign	3,386	(14,301)	3,312
Uncertain tax position liability (Domestic)	12	10	10
Uncertain tax position liability (Foreign)	339	(1,220)	(66)
	<u>3,731</u>	<u>(15,486)</u>	<u>(44)</u>
Deferred income taxes expense (benefit)			
Foreign	13	399	1,567
Total income tax expense (benefit)	<u>\$ 3,744</u>	<u>\$ (15,087)</u>	<u>\$ 1,523</u>
Effective tax rate	<u>(14.5)%</u>	<u>15.1%</u>	<u>(1.3)%</u>

The differences between the annual effective tax rates and the U.S. federal statutory rate of 35.0% primarily result from the non-income based withholding tax attributable to intercompany interest income of the Company's Dutch subsidiary, application of lower tax rates associated with certain earnings from the Company's operations outside the U.S., the parent Company's interest income, which is non-taxable for US tax purposes and the change of deferred tax assets and valuation allowance. The significant increase in income tax expense in 2016 is related to the reversal of withholding tax payable with respect to the waiver of the accrued interest on the loans granted to our Korean subsidiary by our Dutch subsidiary in 2015. Korean and Dutch subsidiaries agreed that our Dutch subsidiary waives and releases a partial amount of unpaid interest of \$174 million on its intercompany loans granted to our Korean subsidiary in order to decrease the cumulative losses of our Korean subsidiary to enhance the subsidiary's credit standing under the local banking rules. This transaction created a taxable income for our Korean subsidiary but did not result in a liability because of the utilization of expired loss carryforwards, which is deductible only against gains from cancellation of debt. The loss was not tax deductible for our Dutch

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subsidiary. This transaction also resulted in taxable loss for our Luxemburg subsidiary and this tax benefit was offset by an increase in the change in valuation allowance. In connection with the waiver of unpaid interest, the related withholding tax was reversed, resulting in the recognition of income tax benefit of \$17.8 million as of December 31, 2015.

The statutory income tax rate of the Company's Korean subsidiary was approximately 24.2% in 2016, 2015 and 2014.

The provision for domestic and foreign income taxes incurred is different from the amount calculated by applying the statutory tax rate to the net income before income taxes. The significant items causing this difference are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Provision computed at statutory rate	\$ (9,055)	\$(34,984)	\$(40,498)
Difference in foreign tax rates	1,995	24,359	10,130
Permanent differences			
Derivative assets adjustment	(149)	(143)	(1,526)
TPECs, hybrid and other interest	(10,353)	(27,273)	(6,813)
Permanent impairment	—	(62,334)	—
Thin capitalization	2,120	2,457	—
Permanent foreign currency gain (loss)	(54)	11,575	(901)
Penalty	689	—	—
Non-deductible settlement	—	—	6,318
Non-deductible bad debt expense	—	89	—
Other permanent differences	50	(69)	(1,097)
Withholding tax	3,092	(14,457)	3,506
Foreign exchange rate adjustment	(1,838)	(8,954)	4,687
Change in valuation allowance	10,095	95,757	29,484
Tax credits claimed	(706)	(875)	(1,811)
Tax credits expired	1,578	—	—
Uncertain tax positions liability	351	(1,211)	(56)
Others	5,929	976	100
Income tax expense (benefit)	<u>\$ 3,744</u>	<u>\$(15,087)</u>	<u>\$ 1,523</u>

The permanent differences above include non-taxable TPECs and interest income from other financial instruments for US tax purposes and non-deductible interest expense according to the thin capitalization rule for Korean tax purposes. The permanent impairment of \$62,334 thousand in 2015 was related to the loss recognized by the Company's Luxemburg subsidiary in connection with the cancellation of debt as described above, which was not recognized for US tax purposes.

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A summary of the composition of net deferred income tax assets (liabilities) as of December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Year-Ended December 31,		
	2016	2015	2014
Deferred tax assets			
Accounts receivables	\$ —	\$ —	\$ 1,076
Inventories	1,822	4,063	11,015
Derivative assets	110	10	—
Accrued expenses	2,803	12,939	9,030
Product warranties	113	345	719
Other reserves	372	474	457
Royalty income	—	—	147
Property, plant and equipment	13,314	13,986	15,914
Intangible assets	103	407	780
Accumulated severance benefits	31,478	31,038	30,413
Foreign currency translation losses	53,130	52,294	17,496
NOL carry-forwards	167,590	155,545	80,979
Tax credit	20,249	21,868	25,161
Other long-term payable	2,079	2,385	1,034
Others	4,885	1,974	1,990
Total deferred tax assets	298,048	297,328	196,211
Less: Valuation allowance	(281,473)	(279,867)	(194,739)
	<u>16,575</u>	<u>17,461</u>	<u>1,472</u>
Deferred tax liabilities			
Foreign currency translation gains	14,338	14,859	748
Prepaid expense	1,644	1,953	—
Others	410	478	147
Total deferred tax liabilities	<u>16,392</u>	<u>17,290</u>	<u>895</u>
Net deferred tax assets	<u>\$ 183</u>	<u>\$ 171</u>	<u>\$ 577</u>
Reported as			
Current deferred income tax assets	\$ 37	\$ 34	\$ 237
Non-current deferred income tax assets	\$ 193	\$ 238	\$ 415
Current deferred income tax liabilities	\$ (46)	\$ (98)	\$ (72)
Non-current deferred income tax liabilities	\$ (1)	\$ (3)	\$ (3)

The valuation allowances at December 31, 2016, 2015 and 2014 are primarily attributable to deferred tax assets for the uncertainty in taxable income at the Company's Korean subsidiary. The Company has recorded a full valuation allowance against the deferred tax assets, net of its deferred tax liabilities, and against certain foreign subsidiary's deferred tax assets pertaining to its related tax loss carry-forwards that are not anticipated to generate a tax benefit.

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Changes in valuation allowance for deferred tax assets for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	\$279,867	\$194,739	\$178,729
Charged to expense	10,095	95,757	29,484
NOL/tax credit claimed/expired	(872)	(1,197)	(7,605)
Translation adjustments	(7,617)	(9,432)	(5,869)
Ending balance	\$281,473	\$279,867	\$194,739

The amount presented as “Charged to expense” primarily relates to the utilization of net operating loss and tax credit carry-forwards, or pre-tax losses for which there is no tax benefit.

The evaluation of the recoverability of the deferred tax asset and the need for a valuation allowance requires the Company 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. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company’s ability to generate future taxable income within the period during which the temporary differences reverse, the outlook for the economic environment in which the Company operates and the overall future industry outlook.

As of December 31, 2016, 2015 and 2014, the Company had net deferred tax assets of \$183 thousand, \$171 thousand and \$577 thousand, respectively, related to the Company’s Japanese subsidiary. As of December 31, 2016, 2015 and 2014, the Company recorded a valuation allowance of \$281,473 thousand, \$279,867 thousand and \$194,739 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 recorded these valuation allowances on deferred tax assets based on its assessment that the negative evidence of expected losses in early future years outweighs the positive evidence of historical income.

As of December 31, 2016, the Company had approximately \$684,851 thousand of net operating loss carry-forwards available to offset future taxable income, of which \$280,417 thousand is associated with the Company’s Korean subsidiary, which expires in part at various dates through 2026. The net operating loss of \$268,959 thousand associated with the Company’s Luxembourg subsidiary is mainly attributable to certain expenses incurred in connection with its shareholding in the Company’s Dutch subsidiary. Although this net operating loss amount is the carried forward indefinitely, it will be recaptured on future capital gain. The remaining net operating loss mainly relates to the US parent company and its domestic subsidiary, which expires in part at various dates through 2036. The Company utilized net operating loss of \$279 thousand, \$121 thousand and \$1,219 thousand, for the years ended December 31, 2016, 2015 and 2014, respectively. The Company also has Korean, Dutch and U.S. tax credit carry-forwards of approximately \$6,738 thousand, \$13,121 thousand and \$390 thousand, respectively, as of December 31, 2016. The Korean tax credits expire at various dates starting from 2017 to 2021, and the Dutch tax credits are carried forward to be used for an indefinite period of time.

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Uncertainty in Income Taxes

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

As of December 31, 2016, 2015 and 2014, the Company recorded \$2,459 thousand, \$2,139 thousand and \$3,491 thousand of liabilities for unrecognized tax benefits, respectively. For the years ended December 31, 2016, 2015 and 2014, the Company recorded \$670 thousand, \$1,606 thousand and \$110 thousand of income tax benefits, respectively, by reversing liabilities due to the lapse of the applicable statute of limitations and incurred \$687 thousand, \$351 thousand and \$44 thousand of income tax expenses, respectively, for uncertain tax positions mainly resulting from imputed interest related to intercompany balances.

For the years ended December 31, 2016, 2015 and 2014, the Company recognized \$334 thousand, \$45 thousand, \$10 thousand of interest and penalties, respectively, related to unrecognized tax benefits as a component of income tax expense. Total interest and penalties accrued as of December 31, 2016, 2015 and 2014 were \$691 thousand, \$359 thousand and \$480 thousand, respectively.

The Company is currently unaware of any uncertain tax positions that could result in significant additional payments, accruals, or other material deviation in this estimate over the next 12 months.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period is as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unrecognized tax benefits, balance at the beginning	\$13,330	\$14,969	\$11,865
Additions based on tax positions related to the current year	942	1,789	4,472
Additions for tax positions of prior years	317	—	47
Lapse of statute of limitations	(2,380)	(2,142)	(1,040)
Translation adjustments	(315)	(1,287)	(375)
Unrecognized tax benefits, balance at the ending	<u>\$11,894</u>	<u>\$13,330</u>	<u>\$14,969</u>

17. Geographic and Segment Information

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

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

	Year Ended December 31,		
	2016	2015	2014
Net Sales			
Foundry Services Group	\$273,961	\$290,775	\$360,549
Standard Products Group			
Display Solutions	281,967	207,480	199,861
Power Solutions	131,468	134,814	137,246
Total Standard Products Group	413,435	342,294	337,107
All other	573	643	562
Total net sales	<u>\$687,969</u>	<u>\$633,712</u>	<u>\$698,218</u>
	Year Ended December 31,		
	2016	2015	2014
Gross Profit			
Foundry Services Group	\$ 69,412	\$ 66,175	\$ 75,739
Standard Products Group	87,194	68,094	76,561
All other	(380)	595	562
Total gross profit	<u>\$156,226</u>	<u>\$134,864</u>	<u>\$152,862</u>

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

	Year Ended December 31,		
	2016	2015	2014
Korea	\$219,618	\$241,715	\$260,139
Asia Pacific (other than Korea)	391,875	316,562	324,248
U.S.A.	33,201	51,164	91,308
Europe	42,274	23,461	21,159
Others	1,001	810	1,364
Total	<u>\$687,969</u>	<u>\$633,712</u>	<u>\$698,218</u>

Net sales from the Company's top ten largest customers accounted for 64%, 64% and 61% for the years ended December 31, 2016, 2015 and 2014, respectively.

For the year ended December 31, 2016, the Company had two customers that represented 23.5% and 11.4% of its net sales, respectively. For the year ended December 31, 2015, the Company had two customers that represented 15.2% and 11.0% of its net sales, respectively. For the year ended December 31, 2014, the Company had two customers that represented 11.4% and 10.7% of its net sales, respectively.

96% of the Company's property, plant and equipment are located in Korea as of December 31, 2016.

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18. Commitments and Contingencies

Operating Agreements with SK Hynix

In connection with the acquisition of the non-memory semiconductor business from SK Hynix on October 4, 2004 (the “Original Acquisition”), the Company entered into several agreements with SK Hynix, including a non-exclusive cross license that provides the Company with access to certain of SK Hynix’s intellectual property for use in the manufacture and sale of non-memory semiconductor products. The Company also agreed to provide certain utilities and infrastructure support services to SK Hynix.

Upon the closing of the Original Acquisition, the Company’s Korean subsidiary and SK Hynix also entered into lease agreements under which the Company’s Korean subsidiary leases space to SK Hynix in several buildings, primarily warehouses and utility facilities, in Cheongju, Korea. These leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days’ notice by the lessee. The Company also leases certain land from SK Hynix located in Cheongju, Korea. The term of this lease is indefinite unless otherwise agreed by the parties, and as long as the buildings remain on the lease site and are owned and used by the Company for permitted uses.

Operating Leases

The Company leases land, office space and equipment under various operating lease agreements with various terms. Rental expenses were approximately \$8,898 thousand, \$8,194 thousand and \$9,421 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows (in thousands):

2017	\$ 4,781
2018	2,786
2019	2,279
2020	2,200
2021	1,844
2022 and thereafter	23,547
	<u>\$37,437</u>

Securities Class Action Complaints

The Company recorded the \$23,500 thousand of the settlement obligation for the Class Action Litigation as accrued expenses in the consolidated balance sheets as of December 31, 2015 and as selling, general and administrative expenses in the consolidated statements of operations for the year ended December 31, 2015. For further information regarding the Class Action Litigation, see “Item 3. Legal Proceedings” included elsewhere in this Report. The Company recorded \$29,571 thousand of the proceeds from the insurers as other receivables in the consolidated balance sheets as of December 31, 2015 and as a deduction of the selling, general and administrative expenses in the consolidated statements of operations for the year ended December 31, 2015. The proceeds from the insurers of \$29,571 thousand were deposited into the Company’s escrow account during the first quarter of 2016 and the Company reclassified the \$29,571 thousand deposits recorded in other receivables into restricted cash. During the third quarter of 2016, the Company disbursed the aggregate settlement payment

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of \$23,500 thousand after the court granted plaintiffs' renewed motion for preliminary approval of the settlement in July 2016. Upon the settlement payment, \$6,114 thousand of the insurance proceeds remained in the Company's escrow account. For subsequent treatment of the escrow amount, see "*Shareholder Derivative Complaints*" below.

SEC Enforcement Staff Review

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

Shareholder Derivative Complaints

The settlement for the shareholder derivative actions described in "Item 3. Legal Proceedings" provided for an aggregate payment from the Company defendants' directors and officers insurance policies of \$3,000 thousand to be made to an escrow account, which will be payable to the Company (less certain deductions and applicable interest) once the settlement becomes effective. For further information regarding the shareholder derivative actions, see "Item 3. Legal Proceedings" included elsewhere in this Report. The \$3,000 thousand settlement payment was included in the insurance proceeds of \$29,571 thousand as discussed in "*Securities Class Action Complaints*" above.

On June 10, 2016, the court granted plaintiffs' motion for preliminary approval of the proposed settlement. On October 18, 2016, after a hearing held on October 14, 2016, the court entered its order and final judgment (the "Judgment") granting final approval of the proposed settlement and awarding plaintiffs' counsel \$750 thousand for attorneys' fees and litigation expenses. As a result, \$750 thousand was paid out of the Company's escrow account. The Judgment was not appealed within the applicable appeals period (on or before December 19, 2016). The settlement therefore became effective after the expiration of the appeals period and \$2,258 thousand was paid to the Company from the escrow account, previously recorded as restricted cash, in December 2016. The remaining restricted cash related to insurance proceeds of \$3,078 thousand was also released in December 2016.

19. Related Party Transactions

Stockholders

Funds affiliated with Avenue Capital Management II, L.P. ("Avenue") owned 11.7% of the Company's common stock issued and outstanding at December 31, 2016.

Funds affiliated with Engaged Capital, LLC. owned 11.0% of the Company's common stock issued and outstanding at December 31, 2016.

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20. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of the following at December 31, 2016 and 2015, respectively (in thousands):

	Year Ended December 31,	
	2016	2015
Foreign currency translation adjustments	\$14,460	\$(190)
Derivative adjustments	(436)	(41)
Total	\$14,024	\$(231)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Foreign currency translation adjustments	Derivative adjustments	Unrealized gain on investments	Total
Year Ended December 31, 2016				
Beginning balance	\$ (190)	\$ (41)	\$ —	\$ (231)
Other comprehensive income (loss) before reclassifications	14,650	(1,032)	—	13,618
Amounts reclassified from accumulated other comprehensive income	—	637	—	637
Net current-period other comprehensive income (loss)	14,650	(395)	—	14,255
Ending balance	\$ 14,460	\$ (436)	\$ —	\$ 14,024
Year Ended December 31, 2015				
Beginning balance	\$(35,551)	\$ 485	\$ —	\$(35,066)
Other comprehensive income (loss) before reclassifications	35,361	(3,748)	—	31,613
Amounts reclassified from accumulated other comprehensive income	—	3,222	—	3,222
Net current-period other comprehensive income (loss)	35,361	(526)	—	34,835
Ending balance	\$ (190)	\$ (41)	\$ —	\$ (231)
Year Ended December 31, 2014				
Beginning balance	\$(57,326)	\$ 6,587	\$ 681	\$(50,058)
Other comprehensive income (loss) before reclassifications	21,775	(69)	1,201	22,907
Amounts reclassified from accumulated other comprehensive income	—	(6,033)	(1,882)	(7,915)
Net current-period other comprehensive income (loss)	21,775	(6,102)	(681)	14,992
Ending balance	\$(35,551)	\$ 485	\$ —	\$(35,066)

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21. Loss per Share

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands of US dollars, except share data)		
Net loss	\$ (29,615)	\$ (84,867)	\$ (117,232)
Weighted average common stock outstanding			
Basic/ Diluted	34,833,967	34,380,517	34,055,513
Loss per share			
Basic/ Diluted	\$ (0.85)	\$ (2.47)	\$ (3.44)

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

	Year Ended December 31,		
	2016	2015	2014
Options	3,428,665	3,179,899	3,215,945
Restricted Stock Units	518,480	135,370	—

Rights Plan

On March 5, 2015, the Company entered into a Rights Agreement, dated as of March 5, 2015 between the Company and American Stock Transfer & Trust Company, LLC, as rights agent (as amended, 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 March 16, 2015. The Company amended the Rights Agreement on March 2, 2016 and September 2, 2016. As amended, each Right, once exercisable, will entitle the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share, at a purchase price of \$12, subject to adjustment (the “Purchase Price”). The Rights are not presently exercisable and remain attached to the shares of common stock unless and until the occurrence of the earlier of the following (the “Distribution Date”): (i) the tenth day after the public announcement or disclosure by the Company or any person or group of affiliated or associated persons that any person or group of affiliated or associated persons has become an “Acquiring Person” by obtaining beneficial ownership of 12.5% (or 20% in the case of a “passive institutional investor,” which is defined generally as any person who has reported beneficial ownership of shares of common stock on Schedule 13G under the Securities Exchange Act of 1934) or more of the Company’s outstanding common stock, subject to certain exceptions; or (ii) the tenth business day (or such later date as the Company’s Board of Directors may designate before a person or group of affiliated or associated persons becomes an Acquiring Person) after the commencement of, or first public announcement of the intent of any person to commence, a tender or exchange offer by any person or group of affiliated or associated persons, which would, if consummated, result in such person or group becoming an Acquiring Person. The Board of Directors may redeem all of the Rights for \$0.001 per Right at any time before any person or group of affiliated or associated persons becomes an Acquiring Person. In addition, at any time on or after any person or group of affiliated or associated persons becomes an Acquiring Person (but before any person or group of affiliated or associated persons becomes the owner of 50% or more of the Company’s outstanding common stock), the Board of Directors may exchange all or part of the

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Rights (other than the Rights beneficially owned by the Acquiring Person and certain affiliated persons) for shares of common stock at an exchange ratio of one share of common stock per Right. The Rights will expire at the close of business on March 5, 2017, unless redeemed or exchanged prior to that time.

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

22. Unaudited Quarterly Financial Results

The following tables present selected unaudited Consolidated Statements of Operations for each quarter of the years ended December 31, 2016 and 2015.

	Fiscal Year 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands of US dollars, except share data)			
Net sales	\$ 148,105	\$ 167,106	\$ 192,296	\$ 180,462
Gross profit	34,249	36,749	39,139	46,089
Operating income (loss)	4,267	(7,377)	618	5,229
Net income (loss)	\$ 8,125	\$ (17,816)	\$ 29,866	\$ (49,790)
Earnings (loss) per share:				
Basic	\$ 0.23	\$ (0.51)	\$ 0.86	\$ (1.42)
Diluted	\$ 0.23	\$ (0.51)	\$ 0.85	\$ (1.42)
Weighted average common stock outstanding:				
Basic	34,698,904	34,716,081	34,849,805	35,068,330
Diluted	34,918,568	34,716,081	35,302,706	35,068,330

	Fiscal Year 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands of US dollars, except share data)			
Net sales	\$ 164,885	\$ 162,015	\$ 154,382	\$ 152,430
Gross profit	34,977	35,286	34,699	29,902
Operating loss	(12,213)	(15,233)	(7,858)	(7,630)
Net income (loss)	\$ (20,029)	\$ (30,626)	\$ (57,066)	\$ 22,854
Earnings (loss) per share:				
Basic	\$ (0.59)	\$ (0.90)	\$ (1.65)	\$ 0.66
Diluted	\$ (0.59)	\$ (0.90)	\$ (1.65)	\$ 0.66
Weighted average common stock outstanding:				
Basic	34,056,468	34,092,402	34,664,246	34,698,777
Diluted	34,056,468	34,092,402	34,664,246	34,713,034

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
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23. Subsequent Events

Derivative Contracts

On January 4, 2017, the Company and the counterparty, the Nomura Financial Investment (Korea) Co., Ltd., entered into derivative contracts of zero cost collars for the period from March 2017 to June 2017. The total notional amounts are \$82,000 thousand. In connection with the contracts, the Company paid \$3,800 thousand of cash deposits to the counterparty in January 2017.

Stock Repurchase

On January 11, 2017, the Company repurchased 1,795,444 shares of its common stock in the open market under the Company's stock repurchase programs, which was authorized by its board of directors on January 10, 2017, at an aggregate cost of \$11,401 thousand.

Issuance of Exchangeable Senior Notes

As disclosed in the Company's Form 8-K filed on January 17, 2017, MagnaChip Semiconductor S.A., the Company's Luxembourg subsidiary, closed an offering of 5.00% Exchangeable Senior Notes due 2021 with an \$86,250 thousand aggregate principal amount.

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 Securities Exchange Act of 1934, as amended (“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, 2016. 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, 2016.

(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, 2016, 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, 2016.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2016 has been audited by Samil PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

(c) Remediation of Prior Year Material Weaknesses

Rule 12b-2 under the Exchange Act of 1934, and Rule 1-02 of Regulation S-X defines a “material weakness” as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the registrant’s annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed in Part II, Item 9A of the 2015 Form 10-K, we identified material weaknesses in our internal control over financial reporting as of December 31, 2015 as described below.

Period End Closing and Financial Reporting:

As of December 31, 2015, we did not operate effective period end closing and financial reporting controls over the completeness and accuracy of our non-routine manual journal entries. Specifically, controls over the analysis, documentation, review and approval of the non-routine manual journal entries were not operated effectively as designed to ensure the accuracy and completeness of the entries recorded.

During 2015, although we had implemented our internal controls in the period-end closing and financial reporting process to: (i) require appropriate internal and external evidence to be prepared for certain types of routine journal entries; (ii) improve the methods of reconciliation, confirmation, verification, observation, period end cut-off test, and analysis of each account in a timely manner; and (iii) assign appropriate roles and responsibilities for more comprehensive review procedures, including the involvement of finance and operational managers, in order to strengthen controls over the completeness and accuracy of manual journal entries, material weaknesses in our period end closing and financial reporting controls over non-routine manual journal entries described above were not remediated as of December 31, 2015, because controls over the completeness and accuracy of non-routine manual journal entries did not operate effectively for a sufficient period of time.

As of December 31, 2016, we concluded, through testing of the operating effectiveness of our implemented controls related to period-end closing and financial reporting, that the material weakness has been fully remediated.

Income Tax Accounting and Disclosures:

As of December 31, 2015, we did not operate an effective control over the completeness and accuracy of our income tax accounting and disclosures. Specifically, the control over the analysis and review of current income taxes was not operated effectively as designed to ensure the accuracy and completeness of the entries recorded.

During 2015, although we had implemented our procedures and controls over tax accounting and reporting by ensuring that we, on a timely basis: (i) review rules and regulations of tax jurisdictions relevant to each of our consolidated entities; (ii) review related accounting implications with respect to current income taxes, deferred income taxes, uncertain tax positions and related disclosures; and (iii) improve the competency of our accounting employees through ongoing training on income tax accounting, disclosure practices, and rules and regulations, material weakness in our control over income tax accounting and disclosures described above was not considered remediated as of December 31, 2015, because controls over the analysis and review of current income taxes did not operate effectively for a sufficient period of time.

As of December 31, 2016, we concluded, through testing of the operating effectiveness of our implemented controls related to income tax accounting and disclosures, that the material weakness has been fully remediated.

(d) Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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 2017 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 2017 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 2017 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 2017 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 2017 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 Form 10-K.

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

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Second Amended Chapter 11 Plan of Reorganization Proposed by the Official Committee of Unsecured Creditors of MagnaChip Semiconductor Finance Company, et al., dated as of September 24, 2009 (incorporated by reference to Exhibit 2.1 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
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	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).
3.4	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)).
3.5	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).
4.1	Rights Agreement, dated as of March 5, 2015, between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, which includes as Exhibits thereto the Form of Certificate of Designation, the Form of Right Certificate and the Summary of Terms attached thereto as Exhibits A, B and C, respectively (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on March 6, 2015).
4.1-1	Amendment No. 1 dated as of March 2, 2016, to the Rights Agreement between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on March 2, 2016).
4.1-2	Amendment No. 2 dated as of September 2, 2016, to the Rights Agreement between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent, as previously amended by the Amendment No.1 to the Rights Agreement, dated as of March 2, 2016 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 2, 2016).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
4.2	Registration Rights Agreement, dated as of November 9, 2009, by and among MagnaChip Semiconductor LLC and each of the securityholders named therein (incorporated by reference to Exhibit 4.1 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
4.3	Indenture, dated as of July 18, 2013, between MagnaChip Semiconductor Corporation, as issuer, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on July 18, 2013).
4.4	First Supplemental Indenture, dated as of March 27, 2014, to Indenture, dated as of July 18, 2013, between MagnaChip Semiconductor Corporation, as issuer, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on June 25, 2014).
4.5	Form of 6.625% Senior Notes due 2021 and notation of guarantee (included in Exhibit 4.3)
4.6#	Indenture, dated as of January 17, 2017, among MagnaChip Semiconductor S.A., as issuer, MagnaChip Semiconductor Corporation, as guarantor, and U.S. Bank National Association, as trustee.
4.7#	Form of 5.00% Exchangeable Senior Note due 2021 and note guarantee (included in Exhibit 4.6)
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(1)	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.3 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.3	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.4 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.4(1)	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.5 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.5	First Amendment to the General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.6 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.6(1)	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.7(1)	Amended & Restated License Agreement (TrenchDMOS), dated as of September 19, 2007, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.8(1)	Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.9(1)	Amendment to the Technology License Agreement, dated as of October 16, 2006, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.10(1)	ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.11(1)	Technology License Agreement, dated as of October 5, 1995, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.12 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.12(1)	Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.13(1)	Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.14	Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.15(1)	Design Migration Agreement, dated as of May 1, 2007, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.16 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.16	Basic Contract on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works Co., Ltd. (English translation) (incorporated by reference to Exhibit 10.17 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.17	Amendment to Basic Contract on Joint Development and Grant of License, dated as of May 18, 2016, by and between MagnaChip Semiconductor, Ltd. and Silicon Works Co., Ltd. (English translation) (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on August 5, 2016).
10.18	Master Service Agreement, dated as of December 27, 2000 by and between Sharp Corporation and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hyundai Electronics Japan Co., Ltd) (English translation) (incorporated by reference to Exhibit 10.18 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.19*	MagnaChip Semiconductor LLC 2009 Common Unit Plan (incorporated by reference to Exhibit 10.20 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.20*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (Non-U.S. Participants) (incorporated by reference to Exhibit 10.21 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.21*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.22 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.22*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Restricted Unit Agreement (Non-U.S. Participants). Incorporated by reference to Exhibit 10.23 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467).
10.23*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Restricted Unit Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.24*	MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.25 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.25*	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)).
10.26*	Advisory Services and Separation Agreement, dated April 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang (incorporated by reference to Exhibit 10.28-1 to our Annual Report on Form 10-K filed on May 28, 2015).
10.27*	Advisory Services and Separation Agreement, effective May 28, 2015, by and between MagnaChip Semiconductor, Inc. and Brent Rowe (incorporated by reference to Exhibit 10.29-1 to our Annual Report on Form 10-K filed on May 28, 2015).
10.28*	Separation Agreement, effective June 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Heung Kyu Kim (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on August 7, 2015).
10.29*	Offer Letter, dated as of June 20, 2007, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Jong Lee (incorporated by reference to Exhibit 10.42 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.29-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Tae Jong Lee (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 6, 2015).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.30*	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)).
10.31*	Offer Letter, dated as of March 8, 2014, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jonathan W. Kim (incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on February 12, 2015).
10.31-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Jonathan W. Kim (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.32*	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).
10.32-1*	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).
10.32-2*	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).
10.33*	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).
10.33-1*	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).
10.34*	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).
10.34-1*	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).
10.35*	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).
10.36*	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)).
10.37*	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)).
10.38*	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)).
10.39*	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)).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.40*	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)).
10.41*	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)).
10.42*	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).
10.43	Settlement Agreement, dated as of May 26, 2016, by and among MagnaChip Semiconductor Corporation, Engaged Capital, LLC, Engaged Capital Master Feeder I, LP, Engaged Capital Master Feeder II, LP, Engaged Capital I, LP, Engaged Capital I Offshore, Ltd., Engaged Capital II, LP, Engaged Capital II Offshore Ltd., Engaged Capital Holdings, LLC and Glenn W. Welling (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 27, 2016).
12.1#	Statement Regarding Computation of Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K filed on February 12, 2015)
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#	XBRL Instance Document
101.SCH#	XBRL Taxonomy Extension Schema Document
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB#	XBRL Taxonomy Extension Label Linkbase Document
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document

Footnotes:

(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 21, 2017

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.

	<u>Date</u>
<u>/s/ Young-Joon Kim</u> Young-Joon Kim, <i>Chief Executive Officer and Director (Principal Executive Officer)</i>	February 21, 2017
<u>/s/ Jonathan W. Kim</u> Jonathan W. Kim, <i>Chief Financial Officer, Executive Vice President and Chief Accounting Officer (Principal Financial and Accounting Officer)</i>	February 21, 2017
<u>/s/ Melvin Keating</u> Melvin Keating, <i>Director</i>	February 21, 2017
<u>/s/ Randal Klein</u> Randal Klein, <i>Director</i>	February 21, 2017
<u>/s/ Ilbok Lee</u> Ilbok Lee, <i>Director</i>	February 21, 2017
<u>/s/ Camillo Martino</u> Camillo Martino	February 21, 2017
<u>/s/ Gary Tanner</u> Gary Tanner, <i>Non-Executive Chairman of the Board of Directors</i>	February 21, 2017
<u>/s/ Nader Tavakoli</u> Nader Tavakoli, <i>Director</i>	February 21, 2017

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

FORM 10-K/A

(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, 2016

or

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

For the transition period from _____ to _____
Commission File Number 001-34791



MagnaChip Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520

Luxembourg, Grand Duchy of Luxembourg
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (352) 45-62-62

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.01 per share

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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. \$122,983,293

As of March 31, 2017, the registrant had 33,553,688 shares of common stock outstanding.

Explanatory Note

MagnaChip Semiconductor Corporation (“MagnaChip,” the “Company,” “we,” “us,” or “our”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment” or this “Report”) to amend our Annual Report on Form 10-K for the year ended December 31, 2016, originally filed with the Securities and Exchange Commission (the “SEC”) on February 21, 2017 (the “Original 10-K Filing”), solely for the purpose of including the information required by Part III of Form 10-K. Such information was previously omitted from the Original 10-K Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference to our definitive proxy statement for the 2017 Annual Meeting of Stockholders if such proxy statement is filed no later than 120 days after our fiscal year end. We are filing this Amendment to include Part III information in our Form 10-K. The reference on the cover of the Original 10-K Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original 10-K Filing is hereby deleted.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Part III, Items 10 through 14 of the Original 10-K Filing are hereby amended and restated in their entirety. In addition, we are also including Exhibits 31.3 and 31.4 required by the filing of this Amendment and have consequently amended and restated Part IV, Item 15 of the Original 10-K Filing as set forth herein. This Amendment does not amend or otherwise update any other information in the Original 10-K Filing. Accordingly, this Amendment should be read in conjunction with the Original 10-K Filing and with our filings with the SEC subsequent to the Original 10-K Filing.

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
FORM 10-K/A FOR THE YEAR ENDED DECEMBER 31, 2015
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PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gary Tanner	64	Non-Executive Chairman of the Board of Directors and Member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee
Melvin L. Keating	70	Director and Chair of the Audit Committee
Randal Klein	51	Director and Member of the Risk Committee
Ilbok Lee	71	Director, Chair of the Nominating and Corporate Governance Committee and Member of the Compensation Committee and the Risk Committee
Camillo Martino	55	Director, Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee
Nader Tavakoli	59	Director, Chair of the Risk Committee and Member of the Audit Committee and the Compensation Committee
Young-Joon (YJ) Kim	52	Director, Chief Executive Officer
Jonathan Kim	43	Chief Financial Officer, Executive Vice President and Chief Accounting Officer
Theodore Kim	48	Chief Compliance Officer, Executive Vice President, General Counsel and Secretary
Tae Jong Lee	54	Executive Vice President and General Manager, Foundry Services Group
Woung Moo Lee	54	Executive Vice President and General Manager, Standard Products Group

Gary Tanner, Non-Executive Chairman of the Board of Directors and Member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Tanner became our Non-Executive Chairman of the Board of Directors in September 2016 and our director in August 2015. 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, when Zarlink was acquired by Microsemi Corporation in October 2011. 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/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 of Directors has concluded that Mr. Tanner should serve on the Board of Directors based upon his extensive experience in the semiconductor industry.

Melvin L. Keating, Director and Chair of the Audit Committee. Mr. Keating became our director in August 2016. Mr. Keating serves as a consultant, providing investment advice and other services to private equity firms, since November 2008. Mr. Keating also serves as a director of Red Lion Hotels Corporation, a hospitality company primarily engaged in the franchising, ownership and operation of hotels, since July 2010 and served as Chairman of the Board of Directors from January 2013 through September 2015. 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.

Mr. Keating also currently serves as a director of ModSys International Ltd. (NASDAQ: MDSY) (formerly BluePhoenix Solutions Ltd. (NASDAQ: BPHX)), a legacy platform modernization provider, and served as the Chairman of its Board of Directors from May 2015 through February 2016. During the past 5 years, Mr. Keating also served on the Boards of Directors of the following public companies: API Technologies Corp.; Integral Systems Inc. (October 2010—July 2011); and Crown Crafts Inc. (August 2010—August 2013). Mr. Keating holds a B.A. degree in Art History from Rutgers University, as well as an M.S. in Accounting and an M.B.A. in Finance, both from the Wharton School of the University of Pennsylvania. Our Board of Directors has concluded that Mr. Keating should serve on the Board of Directors based upon his extensive experience advising technology companies.

Randal Klein, Director and Member of the Risk Committee. Mr. Klein became our director in November 2009. Mr. Klein joined Avenue in 2004, and is currently a Portfolio Manager at Avenue where he assists with the direction of the investment activities of the Avenue U.S. strategy with a particular focus on restructurings and transactions while previously directing the investment activities of the Avenue Trade Claims funds. Previously, Mr. Klein was a Senior Vice President of the Avenue U.S. Funds. In such capacity, Mr. Klein was responsible for managing restructuring activities and identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue, Mr. Klein was a Senior Vice President at Lehman Brothers, where his responsibilities included restructuring advisory work, financial sponsors coverage, mergers and acquisitions and corporate finance. Prior to Lehman, Mr. Klein worked in sales, marketing and engineering as an aerospace engineer for The Boeing Company. Mr. Klein is a National Association of Corporate Directors (NACD) Board Leadership Fellow. Mr. Klein holds a B.S. in Aerospace Engineering, conferred with Highest Distinction from the University of Virginia, and an M.B.A. in Finance, conferred as a Palmer Scholar, from the Wharton School of the University of Pennsylvania. Our Board of Directors has concluded that Mr. Klein should serve on the Board of Directors based upon his 22 years of experience as a financial advisor and investment manager.

Ibok Lee, Director, Chair of the Nominating and Corporate Governance Committee, and Member of the Compensation Committee and the Risk Committee. Dr. Lee became our director in August 2011. Dr. Lee is the Executive Chairman of Silego Technology, Inc., a semiconductor company, or Silego, serving as Executive Chairman since August 2016. Dr. Lee also served as Silego's Chairman of the Board from March 2015 to August 2016 and as Silego's Chief Executive Officer since Silego's inception in October 2001 until August 2016. He also served as Silego's President from October 2001 until March 2015. 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 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 of Directors has concluded that Dr. Lee should serve on the Board of Directors based upon his extensive experience in the semiconductor industry.

Camillo Martino, Director, Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee. Mr. Martino became our director in August 2016. Mr. Martino also serves as a Board Member and Executive Advisor to technology companies. Mr. Martino also served as a director and the Chief Executive Officer of Silicon Image, Inc. (formerly NASDAQ:SIMG), a leading provider of wired and wireless video, audio and data connectivity solutions, 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., a privately held company where he also served as a director from June 2006 to November 2010. From July 2005 to June 2007, Mr. Martino served as the President, CEO and Director of Cornice Inc., a privately held technology company focused on storage solutions. From August 2001

to July 2005, Mr. Martino served as the Executive Vice President and Chief Operating Officer at Zoran Corporation, a global semiconductor company. Prior to that, Mr. Martino held multiple positions with National Semiconductor Corporation for a total of nearly 14 years. Mr. Martino holds a Bachelor of Applied Science in Electronics Engineering from the University of Melbourne and a Graduate Diploma in Digital Communications from Monash University (Australia). Our Board of Directors has concluded that Mr. Martino should serve on the Board of Directors based upon his extensive experience advising technology companies.

Nader Tavakoli, Director, Chair of the Risk Committee, and Member of the Audit Committee and the Compensation Committee. Mr. Tavakoli became our director in November 2009. Mr. Tavakoli served as the President and Chief Executive Officer of Ambac Financial Group, Inc., or AFG, a financial services company, from January 2016 to December 2016 and served as the interim President and Chief Executive Officer of AFG from January 2015 to January 2016. Mr. Tavakoli also served as a director of AFG from May 2013 to December 2016, and was co-chairman of the board of AFG from May 2013 until December 2014. In addition, Mr. Tavakoli served as the Executive Chairman of AFG's wholly owned subsidiary, Ambac Assurance Corporation, or AAC, from January 1, 2015 to May 7, 2016, and served as a member of the audit committee and chairman of the compensation committee of AFG and AAC from May 2013 until December 2014. Mr. Tavakoli is also the Chairman and Chief Executive Officer of EagleRock Capital Management, a private investment partnership based in New York City. Prior to founding EagleRock in 2002, Mr. Tavakoli managed substantial investment portfolios with Odyssey Partners and Highbridge Capital Management. During his nearly 25 year investment career, Mr. Tavakoli has made substantial investments across numerous industries, including significant investments in semiconductor, technology and telecommunications companies. Mr. Tavakoli began his professional career as an attorney with the New York City law firm of Milbank, Tweed, Hadley and McCloy, where he represented institutional clients in banking, litigation and corporate restructuring matters. Mr. Tavakoli was a director of NextWave Wireless, Inc., prior to that company's acquisition by AT&T Inc. in January 2013. Mr. Tavakoli also serves on the board of MF Global Holding Ltd., and also serves as the company's Litigation Trustee, pursuing claims against former management and others on behalf of the company. Mr. Tavakoli is the past chair of the Montclair State University Foundation Board and its investment committee. Mr. Tavakoli holds a B.A. in History from Montclair State University, where he was selected Valedictorian, and a Juris Doctor from the Rutgers Law School, where he was an Editor of the Rutgers Law Review. Our Board of Directors has concluded that Mr. Tavakoli should serve on the Board of Directors based upon his extensive executive management, corporate governance and investing experience.

Young-Joon (YJ) Kim, Director, Chief Executive Officer. Mr. YJ Kim became our Chief Executive Officer and director in May 2015. Mr. Kim joined MagnaChip 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. He also served as the acting General Manager of our Foundry Services Group from May to November 2015. Prior to joining our Company, Mr. Kim held a variety of senior management roles at several global semiconductor firms in a career spanning nearly 30 years. His past roles include marketing, engineering, product development and strategic planning, and his product expertise includes microprocessors, network processors, FLASH, EPROM, analog, mixed-signal, sensors, workstations and servers. Immediately before joining MagnaChip, Mr. Kim served as Vice President, Infrastructure Processor Division, and General Manager of the 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 1988, 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. Mr. Kim holds B.S. and M.Eng degrees in Electrical Engineering from Cornell University. Our Board of Directors has concluded that Mr. YJ Kim should serve as a director based on his understanding of the Company's products and technology as our Chief Executive Officer and his deep knowledge of the semiconductor industry.

Jonathan Kim (J. Kim), Chief Financial Officer, Executive Vice President and Chief Accounting Officer.

Mr. J. Kim became our Chief Financial Officer and Executive Vice President in May 2015, after serving as our Interim Chief Financial Officer, Chief Accounting Officer and Senior Vice President since March 2014. Prior to joining our Company, Mr. J. Kim served since July 2010 as the Chief Financial Officer of Startforce, Inc., a VC backed desktop virtualization company, which was acquired in February 2011 by ZeroDesktop, Inc., a leading developer of next-generation desktop virtualization and cloud computing solutions. Mr. J. Kim continued to serve as the Chief Financial Officer at ZeroDesktop through March 2014. Mr. J. Kim also served a principal at a Silicon Valley based investment and advisory firm where he led investments in startup companies in the U.S. and Korea. Mr. J. Kim began his career in public accounting and held various positions with Deloitte for nearly ten years, serving Global Fortune 500 and U.S. multinational publicly traded clients in the Technology, Media & Telecommunication sectors. Mr. J. Kim holds a B.A. degree in Business Administration from the Foster School of Business at University of Washington and is a Certified Public Accountant.

Theodore Kim (T. Kim), Chief Compliance Officer, Executive Vice President, General Counsel and Secretary.

Mr. T. Kim became our Chief Compliance Officer and Executive Vice President in May, 2015, and became our General Counsel and Secretary in November 2013. Mr. T. Kim previously served as our Senior Vice President from November 2013 to May 2015. Prior to joining our Company, Mr. T. Kim served as Head Lawyer, Global Business Development at Samsung Fire & Marine Insurance from October 2012 to October 2013. Mr. T. Kim was employed by Gibson, Dunn & Crutcher LLP, 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. Mr. T. Kim holds a B.A. degree in Economics and a B.S. degree in Mechanical Engineering from the University of California, Irvine, and a J.D. degree from the University of California, Los Angeles, School of Law.

Tae Jong Lee, Executive Vice President and General Manager, Foundry Services Group.

Mr. Lee became our General Manager, Foundry Services Group, in November 2015 and became our Executive Vice President in December 2011, after serving successively as Senior Vice President and Vice President and General Manager, Corporate Engineering, since September 2007. Prior to joining our Company, Mr. Lee served as Director of the Technology Development Division, Chartered Semiconductor Manufacturing, in Singapore from 1999 to August 2007. Mr. Lee holds B.S. and M.S. degrees from Seoul National University, and a Ph.D in Physics from the University of Texas at Dallas.

Woung Moo Lee, Executive Vice President and General Manager, Standard Products Group.

Mr. Woung Moo Lee became our Executive Vice President and General Manager, Standard Products Group in November 2015. He previously served as our Senior Vice President, Korea Sales from 2013. Prior to joining our Company, he was one of the founding executives and served as Vice President, 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 "Proud Samsung Employee Award" in 2005 and holds a B.S. degree in Electronic Engineering from Inha University.

Involvement in Certain Legal Proceedings

Tae Jong Lee was an officer during our Chapter 11 reorganization proceedings in 2009.

Section 16(a) Beneficial Ownership Reporting Compliance

Compliance with Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of its equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors, and greater than 10% stockholders are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during 2016 all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% stockholders were in compliance with Section 16(a), except that late Form 4 filings were filed on March 16, 2016 on behalf of Gary Tanner, Ilbok Lee, Nader Tavakoli, R. Douglas Norby (who was then serving as a director of the Company), Michael Elkins (who was then serving as a director of the Company), YJ Kim, J. Kim, T. Kim, Tae Jong Lee and Woung Moo Lee relating to a grant of restricted stock units and stock options made to each such director or officer on March 11, 2016.

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, Inc., 60 South Market Street, Suite 750, San Jose, CA 95113. Our Code of Business Conduct and Ethics is also available on our website at www.magnachip.com. We will disclose any waivers or amendments to the provisions of our Code of Business Conduct and Ethics on our website.

Assessment of Risk

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 capped and payout opportunities may be achieved on a straight-line interpolation basis between threshold and target levels, and between the target and maximum levels. In addition, non-GAAP performance metrics are used in our cash incentive program to align achievement with our business strategy. Our equity awards are limited by the terms of our equity plans to 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 equityholders.

Committees

The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee. The Board of Directors establishes ad hoc committees from time to time, which currently include the Finance Committee, the Strategic Review Committee and the Advisory Committee.

The Board of Directors 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 www.magnachip.com. The information on or accessible through our website is not a part of or incorporated by reference in this Report.

Audit Committee

Our Audit Committee consists of Mr. Keating, as Chair, Mr. Tanner and Mr. Tavakoli. Our Board of Directors 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. Our Board of Directors has also determined that each of Mr. Keating, Mr. Tanner and Mr. Tavakoli 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.

The Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee charter is posted and available on our website at www.magnachip.com. The information on or accessible through our website is not a part of or incorporated by reference in this Report.

Compensation Committee

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

The Compensation Committee has 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.

Nominating and Corporate Governance Committee

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

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, oversees the evaluation of our Board of Directors 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.

Risk Committee

Our Risk Committee consists of Mr. Tavakoli, as Chair, Mr. Klein and Dr. Lee. The Risk Committee assists the Board of Directors 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 and reviewing the Company's business practices, compliance activities and enterprise risk management and making recommendations to the Board of Directors related to such review.

Board Leadership Structure

Separation of Chairman and Chief Executive Officer

Our Corporate Governance Guidelines state that the Board of Directors shall elect its Chairman 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 of Directors does not believe there should be a fixed rule as to whether the offices of Chairman and Chief Executive Officer should be vested in the same person or two different people, or whether the Chairman 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 of Directors believes that retaining flexibility in these decisions is in the best interest of the Company.

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

Lead Director

In the event that positions of Chairman and Chief Executive Officer are held by the same person, on an annual basis the independent members of the Board of Directors will select a lead director from the independent

directors then serving on the Board of Directors (the “Lead Director”). The length of service as Lead Director is subject to the Board of Directors’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 of Directors

The Company’s non-management directors meet at regularly scheduled Board of Directors meetings in executive session without management present. In 2016, the Chairman presided over the meetings of the non-management directors. In addition, in accordance with our Corporate Governance Guidelines, the independent members of the Board of Directors meet at least twice a year in executive session, with the Chairman setting the agenda and presiding over such meetings.

Presiding Director

In accordance with our Corporate Governance Guidelines, the presiding director of the Board of Directors is the Chairman of the Board of Directors, 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 of Directors. The presiding director presides at all meetings of the Board of Directors and is responsible for chairing the Board of Directors’ executive sessions.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee of our Board of Directors (the “Committee”) has overall responsibility for administering our compensation program for our “named executive officers.” The Committee’s responsibilities consist of evaluating, approving and monitoring our executive officer and director compensation plans, policies and programs, as well as each of our equity-based compensation plans and policies. For 2016, our named executive officers were:

- Young-Joon Kim, our Chief Executive Officer;
- Jonathan Kim, our Chief Financial Officer, Executive Vice President and Chief Accounting Officer;
- Theodore Kim, our Chief Compliance Officer, Executive Vice President, General Counsel and Secretary;
- Tae Jong Lee, our Executive Vice President and General Manager, Foundry Services Group; and
- Woung Moo Lee, our Executive Vice President and General Manager, Standard Products Group.

The Committee seeks to establish total compensation for executive officers that is fair, reasonable and competitive. The Committee evaluates our compensation packages 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 meets or exceeds 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.

The Committee believes that the most effective executive compensation packages align executives’ interests with those of our stockholders by rewarding performance that exceeds specific annual, long-term and strategic

goals that are intended to improve stockholder value. These objectives include the achievement of financial performance goals and progress on projects that our Board of Directors anticipates will lead to future growth, as discussed more fully below.

The information set forth below in this Compensation Discussion and Analysis describes the Committee's general philosophy and historical approach.

Say on Pay Vote and Stockholder Input

The Committee also seeks to ensure that the compensation paid to the Company's executive officers is aligned with the interests of the Company's stockholders. In that respect, as part of its ongoing review of the compensation paid to the Company's executive officers, the Committee considered the approval by approximately 96.8% of the votes cast for the "Say on Pay" vote relating to the compensation of our named executive officers at the Company's 2015 Annual Meeting of Stockholders and determined that the Company's executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any changes to the Company's executive pay program for 2016.

Timing of Compensation Decisions

At the end of each fiscal year, our chief executive officer reviews the performance of the other executive officers and presents his conclusions and recommendations to the Committee. At that time and throughout the year, the Committee also evaluates the performance of our chief executive officer, which is measured in substantial part against our consolidated financial performance. In the first quarter of 2016, the Committee then assessed the overall functioning of our compensation plans against our goals, and determined whether any changes to the allocation of compensation elements, or the structure or level of any particular compensation element, were warranted.

In connection with this process, our Committee generally establishes the elements of our short-term cash incentive plan for the upcoming year. With respect to newly hired employees, our practice is typically to approve equity grants at the first meeting of the Committee following such employee's hire date. We do not have any program, plan or practice to time equity award grants in coordination with the release of material non-public information. From time to time, additional equity awards may be granted to executive officers during the fiscal year.

Role of Executive Officers in Compensation Decisions

For named executive officers other than our chief executive officer, we have historically sought and considered input from our chief executive officer in making determinations regarding executive compensation. Our chief executive officer annually reviews the performance of our other named executive officers. Our chief executive officer subsequently presents conclusions and recommendations regarding the compensation of such officers, including proposed salary adjustments and incentive amounts, to the Committee. The Committee then takes this information into account when it makes final decisions regarding any adjustments or awards.

The review of performance by the Committee and our chief executive officer of other executive officers is both an objective and subjective assessment of each executive's contribution to our performance, leadership qualities, strengths and weaknesses and performance relative to goals set by the Committee or our chief executive officer, as applicable. The Committee and our chief executive officer 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.

The Committee's annual determinations regarding executive compensation are subject to the terms of the respective service agreements between us and the named executive officers (as set forth in more detail below). In

addition to the annual reviews, the Committee also typically considers compensation changes upon a named executive officer's promotion or other change in job responsibility. Neither our chief executive officer nor any of our other executives participate in deliberations relating to their own compensation.

Role of Compensation Consultant

The 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 2016, the Committee retained Compensia Inc. ("Compensia"), a national compensation consulting firm, to serve as its compensation consultant. This compensation consultant serves at the discretion of the Committee.

During 2016, Compensia provided the following services:

- assisted the Committee in determining the design and amount of equity awards for the key executives and Board members; and
- assisted the Committee in determining the appropriate pool of stock to grant to all employees in 2016.

In 2016, Compensia did not provide any services to us other than the consulting services to the Committee. The Committee regularly reviews the objectivity and independence of the advice provided by its compensation consultant on executive compensation. In 2016, the 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 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 of Directors. Our 2016 compensation package was comprised of the following elements:

- annual base salary;
- short-term cash incentives;
- long-term equity incentives;
- a health and welfare benefits package that is generally available to all of our employees;
- expatriate and other executive benefits; and
- limited post-employment or change in control benefits pursuant to individual severance agreements.

Determination of Amount of Each Element of Compensation

General Background

The 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 our compensation peer group, subject to adjustments based on each executive's experience and performance. Historically, based on our review of industry-specific survey data and the professional and market experience of our Committee members, we measured total cash compensation for our named executive officers against cash compensation paid to executives at similarly situated companies which we determined to be in our select peer group. Base salaries for our named executive officers would then be set at competitive levels as compared to similarly situated executives in the select peer group. Short-term cash incentives would be put in place to provide for opportunities that may result in competitive levels of cash compensation as compared to our select peer group if, and depending upon the extent to which, our performance and that of our named executive officers exceeded expectations and the goals established by the Committee for the applicable year.

Competitive Positioning

For purposes of comparing our executive compensation against the competitive market, the 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 geographic location.

In October 2014, with the assistance of Compensia, the Committee developed our compensation peer group based on U.S.-based semiconductor companies. We focused on U.S.-based semiconductor companies because our highest ranking executives are U.S. expatriates who have opportunities to work with U.S.-based semiconductor companies. The companies in this compensation peer group were selected on the basis of their similarity to us, based on the following criteria:

- industry—semiconductors;
- similar revenue size—~0.5x to ~2.0x our last four fiscal quarter revenue of approximately \$856 million (approximately \$428 million to approximately \$1.7 billion);
- executive positions similar in breadth, complexity and/or scope of responsibility; and
- competitors for executive talent.

The Committee approved the use of the market data from this peer group for our December 2014 executive compensation market assessment, which was used for setting executive compensation in 2016:

Cirrus Logic	OmniVision Technologies
Cypress Semiconductor	PMC-Sierra
Diodes	RF Micro Devices
Fairchild Semiconductor	Semtech
Integrated Device Tech	Silicon Laboratories
International Rectifier	Spansion
Intersil	SunEdison Semiconductor
Microsemi	TriQuint Semiconductor

The Committee used the market data from this peer group that was developed in 2014 as a reference point in its 2016 executive compensation decisions along with compensation data from the Radford Global Technology Survey as of July 2014 for companies with annual revenues between \$500 million and \$1 billion, with median revenues of \$739 million.

The Committee reviews our compensation peer group periodically prior to assessing executive compensation and makes adjustments to its composition, taking into account changes in both our business and the businesses of the companies in the peer group. The Committee is currently reviewing and revising our peer group for 2017.

The Committee historically makes annual determinations regarding cash incentive compensation based on our annual operating plan, which we usually adopt in December preceding each fiscal year. The determination takes into account our expected performance in the coming fiscal year. The Committee makes all equity compensation decisions for our officers based on existing compensation arrangements for other executives at our Company with the same level of responsibility and based on a review of our select peer group with a view to maintaining internal consistency and parity.

Equity awards are not tied to base salary or cash incentive amounts and will constitute lesser or greater proportions of total compensation depending on market practices and the Committee's determination of target grant values. The Committee, relying on the professional and market experience of our Committee members, 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 Committee does not apply a formula or assign relative weight in making its determination. Instead, it makes a subjective determination after considering all information collectively.

The Committee may approve additional cash incentive payments or equity compensation grants from time to time during the year in its discretion.

Annual Base Salary

Base salary is the guaranteed element of an employee’s annual cash compensation. The 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 skill set and the value of that skill set. The Committee makes a subjective decision regarding any changes in base salary based on these factors and the data from our select peer group. The 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 generally take effect in the middle of our fiscal year. After considering the factors described above, in March 2016, the Committee increased the annual base salary for Mr. TJ Lee and Mr. WM. Lee by 72,296,000 Korean won (or an annual base salary of \$60,855 based on the monthly average exchange rate for March 2016) and 69,992,000 Korean won (or an annual base salary of \$58,916 based on the monthly average exchange rate for March 2016), respectively. The Committee did not make any other changes to the base salaries of our other named executive officers.

Short-Term Cash Incentives

Short-term cash incentives are typically designed as a percentage of base salary and may be awarded based on individual performance or our achievement of the annual, long-term and strategic quantitative goals set by the Committee. In December 2009, our Board of Directors implemented a cash incentive plan effective as of January 1, 2010, which we call the Profit Sharing Plan. The Committee administers the Profit Sharing Plan. In 2016, we provided short-term cash incentive opportunities to our named executive officers under our Profit Sharing Plan to encourage our named executive officers to achieve certain short-term corporate performance goals. For 2016, the Committee determined that Consolidated Adjusted EBITDA would be the sole performance goal under the Profit Sharing Plan, which the Committee believes is a key measure of our core operating performance. Consolidated Adjusted EBITDA is equal to our GAAP net income (loss) before interest expense, net, income tax expenses (benefits), depreciation and amortization, adjusted to exclude (i) restructuring, impairment and other (gain), (ii) equity-based compensation expense, (iii) foreign currency loss (gain), net, (iv) derivative valuation loss (gain), net, and (v) restatement related expense. In June 2016, the Committee approved an annual Consolidated Adjusted EBITDA performance goal of \$35 million based on the Company’s annual operating plan for 2016 year.

In June 2016, the Committee also approved the target bonus amounts for each named executive officer (the “Target Bonus”), as a percentage of base salary, but with the related dollar amount of bonus awards prorated for the number of months remaining in the 2016 fiscal year, as set forth below.

<u>Named Executive Officer</u>	<u>2016 Target Bonus (% of Base Salary)</u>	<u>Prorated 2016 Target Bonus (\$)</u>
Young-Joon Kim	100%	\$324,917
Jonathan Kim	75%	\$153,125
Theodore Kim	75%	\$144,375
Tae Jong Lee	50%	\$ 86,585
Woung Moo Lee	60%	\$103,902

Achievement of 115% of the Consolidated Adjusted EBITDA performance goal resulted in a maximum payout of 150% of the named executive officer’s Target Bonus, while achievement of 100% of the Consolidated

Adjusted EBITDA performance goal resulted a payout of 100% of such Target Bonus. Achievement below 85% of the Consolidated Adjusted EBITDA performance goal resulted in no bonus being earned. For performance within the maximum and threshold range, the percentage achievement would be determined based on a linear interpolation.

In February 2017, the Committee determined that the Consolidated Adjusted EBITDA goal was achieved at 115% of target. Although the level of achievement resulted in the maximum payout of 150% of each named executive officer's Target Bonus, management recommended to cap the payout at each individual's Target Bonus in light of our financial situation and the need to maintain continued vigilance in managing expenses. After taking into account management's recommendation, the Committee determined to exercise negative discretion and approved the payments set forth below.

<u>Named Executive Officer</u>	<u>Fiscal 2016 Bonus (\$)</u>
Young-Joon Kim	\$324,917
Jonathan Kim	\$153,125
Theodore Kim	\$144,375
Tae Jong Lee	\$ 86,585
Woung Moo Lee	\$103,902

Long-Term Equity Incentives

We offer long-term incentive compensation in the form of equity awards as a way to enhance the link between the creation of stockholder value and executive incentive compensation and to give our named executive officers appropriate motivation and rewards for achieving increases in stockholder value. In 2016, the Committee granted a mix of stock options and time-based restricted stock units ("RSUs") to our named executive officers under our 2011 Equity Incentive Plan, which replaced our 2009 Common Unit Plan immediately following our corporate conversion. We believe that stock options, which we grant with exercise prices equal to the fair market value of our common stock on the date of grant, provide appropriate long-term incentive compensation for our named executive officers because they are rewarded only to the extent that our stock price appreciates following the grant date of the stock options, which aligns with our stockholders' interest in also seeing the value of their investment grow. We believe that time-based RSUs provide an appropriate balance to other forms of equity awards, help us achieve our retention objectives and further align the interests of our named executive officers with those of our stockholders.

In 2016, the Committee granted stock options and RSUs to all of our named executive officers. In determining the value of each of these awards, the Committee considered competitive market data (based on the compensation peer group data), as well as its objective of creating a meaningful retention incentive for each named executive officer and providing rewards for the named executive officers if they successfully achieve increases in stockholder value. Stock options and RSUs granted in 2016 vest in three equal annual installments on the first three anniversaries of the grant date.

Health and Welfare Benefits

Our named executive officers are eligible to participate in our employee benefit plans which are generally provided for all full-time employees, and on the same basis as all of our full-time employees in the country in which they are resident. These benefits include individual health insurance (medical, dental, and vision), group personal accident insurance and group business travel insurance.

Perquisites and Other Benefits

We provide the named executive officers with perquisites and other benefits, including expatriate benefits, that the 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 Committee considers to be the most 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 Committee determines the level and types of expatriate benefits for the 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.

Mr. YJ Kim, Mr. J. Kim and Mr. T. Kim were expatriates during 2016, 2015 and 2014, and received expatriate benefits commensurate with market practice in Korea. These benefits, which were determined on an individual basis, included housing allowances, relocation and repatriation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, living expenses, children's tuition allowances, tax equalization payments and tax advisory services, each as the Committee deemed appropriate and in accordance with internal policies approved by our Board of Directors in effect from time to time.

Post-Employment Severance Benefits

Each of our named executive officers is party to a severance agreement that provides certain payments upon his termination of employment and a change in control of the Company. Please see the section below entitled "Agreements with Executives and Potential Payments Upon Termination or Change in Control" for further discussion of those benefits.

In addition, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident 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 2016.

Tax and Accounting Considerations

The 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.

Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2016, 2015 and 2014, of our named executive officers:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Stock Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Non- qualified Deferred	All Other Compensation (\$)	Total (\$)
							Compensation Earnings (\$)(3)		
Young-Joon Kim Chief Executive Officer	2016	557,396	—	65,651	130,646	324,917	45,662	507,101(4)	1,631,373
	2015	475,954	—	137,984	360,990	—	77,918	434,515(5)	1,487,361(5)
	2014	349,917	—	—	—	—	30,315	340,435	720,667
Jonathan Kim Chief Financial Officer, Executive Vice President and Chief Accounting Officer	2016	350,249	—	50,675	100,784	153,125	28,820	168,879(6)	852,532
	2015	322,291	—	106,507	278,478	—	35,646	156,673	899,595
	2014	225,196	50,000	162,691	—	—	20,043	133,671	591,601
Theodore Kim Chief Compliance Officer, Executive Vice President, General Counsel and Secretary	2016	330,234	—	37,488	74,655	144,375	27,113	166,496(7)	780,361
	2015	310,058	—	78,791	206,280	—	34,996	134,057(8)	764,182(8)
	2014	279,934	—	—	—	—	24,081	111,114	415,129
Tae Jong Lee Executive Vice President and General Manager, Foundry Services Group	2016	291,991	—	37,488	74,655	86,585	68,253	46,327(9)	605,299
	2015	244,796	—	66,913	175,338	—	20,482	57,090	564,619
Woung Moo Lee Executive Vice President and General Manager, Standard Products Group	2016	292,302	—	37,488	74,655	103,902	36,024	35,236(10)	579,607
	2015	230,044	—	66,913	175,338	—	24,621	40,771	537,687

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

- (1) Represents the grant date fair value of stock options and restricted stock units granted in each fiscal year determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation,” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” in the Original 10-K Filing for a discussion of the assumptions used to calculate the amounts in these columns.
- (2) Represents short-term cash incentive amounts paid under our Profit Sharing Plan. No amounts were paid under our Profit Sharing Plan in 2015 or 2014. See the section subtitled “Compensation Discussion and Analysis” for a description of the short-term cash incentive amounts paid in 2016.
- (3) Consists of statutory severance accrued during the years ended December 31, 2016, 2015 and 2014, as applicable. See the section subtitled “Compensation Discussion and Analysis” for a description of the statutory severance benefit.
- (4) Includes the following personal benefits paid to Mr. YJ Kim for 2016: (a) \$144,851, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. YJ Kim’s housing lease; (b) \$37,662 for reimbursement of tuition expenses for Mr. YJ Kim’s children; (c) \$25,626 for Mr. YJ Kim’s home leave flights; (d) \$57,510 for insurance premiums; (e) \$44,701 for other personal benefits (including

- personal use of a car service provided by the Company and living expenses); (f) \$148,395 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 2015; and (g) \$48,356 for reimbursement of Korean tax.
- (5) The amount of reimbursement of Korean tax that was included and described in “All Other Compensation” for fiscal year 2015 in the Company’s prior year’s filings of the Summary Compensation Table for Mr. YJ Kim was overstated by \$132,006 due to a calculation error, which also resulted in the “Total” amount being overstated by the same amount. Those actual amounts have now been corrected in this table for fiscal 2015.
 - (6) Includes the following personal benefits paid to Mr. J. Kim for 2016: (a) \$21,728, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. J. Kim’s housing lease; (b) \$12,670 for Mr. J. Kim’s home leave flights; (c) \$35,956 for insurance premiums; (d) \$31,787 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$63,174 of reimbursement for the difference between the actual tax Mr. J. Kim already paid and the hypothetical tax he had to pay for the fiscal year 2015; and (f) \$3,564 for reimbursement of Korean tax.
 - (7) Includes the following personal benefits paid to Mr. T. Kim for 2016: (a) \$56,479, which is the annual aggregate monthly pro rata amount of prepaid housing expenses for Mr. T. Kim’s housing lease; (b) \$13,970 for Mr. T. Kim’s home leave flights; (c) \$27,802 for insurance premiums; (d) \$29,789 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$30,571 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 2015; and (f) \$7,885 for reimbursement of Korean tax.
 - (8) The amount of reimbursement of Korean tax that was included and described in “All Other Compensation” for fiscal year 2015 in the Company’s prior year’s filings of the Summary Compensation Table for Mr. T. Kim was overstated by \$14,664 due to a calculation error, which also resulted in the “Total” amount being overstated by the same amount. Those actual amounts have now been corrected in this table for fiscal 2015.
 - (9) Includes the following personal benefits paid to Mr. TJ Lee for 2016: (a) \$10,087 for insurance premiums; and (b) \$36,240 for other personal benefits (including personal use of a car service provided by the Company and living expenses).
 - (10) Includes the following personal benefits paid to Mr. WM Lee for 2016: (a) \$7,191 for reimbursement of tuition expenses for Mr. WM Lee’s children; (b) \$10,220 for insurance premiums; and (c) \$17,825 for other personal benefits (including personal use of a car service provided by the Company and living expenses).

Grants of Plan-Based Awards Table for Fiscal Year 2016

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Share) (3)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold	Target	Maximum				
Young-Joon Kim	3/11/2016				23,625		130,646	
	3/11/2016	\$162,458	\$324,917	\$487,375		45,305	65,651	
Jonathan Kim	3/11/2016				18,225		100,784	
	3/11/2016	76,563	153,125	229,688		34,970	50,675	
Theodore Kim	3/11/2016				13,500		74,655	
	3/11/2016	72,188	144,375	216,563		25,870	37,488	
Tae Jong Lee	3/11/2016				13,500		74,655	
	3/11/2016	43,292	86,585	129,877		25,870	37,488	
Woung Moo Lee	3/11/2016				13,500		74,655	
	3/11/2016	51,951	103,902	155,852		25,870	37,488	

- (1) Represents service-vesting RSUs granted during fiscal year 2016 to our named executive officers. Further information on the RSU awards can be found in the “—Compensation Discussion & Analysis” section above.
- (2) Represents service-vesting stock options awarded to our named executive officers during fiscal year 2016. Further information on the service-vesting stock option awards can be found in the “—Compensation Discussion & Analysis” section above.
- (3) The per share exercise price of the named executive officers’ options was determined based on the fair market value per share of our common stock as of the grant date (\$5.53).
- (4) Represents the grant date fair value with respect to the fiscal year determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in the Original 10-K Filing for a discussion of the assumptions used to calculate the amounts in this column.

MagnaChip Semiconductor LLC 2009 Common Unit Plan

Following our emergence from our reorganization proceedings, in December 2009, our Board of Directors adopted, and our equityholders approved, the MagnaChip Semiconductor LLC 2009 Common Unit Plan, which we refer to as the 2009 Plan. The 2009 Plan provided for the grant of nonstatutory options, restricted unit bonus and purchase right awards, and deferred unit awards to employees and consultants of our Company and our subsidiaries and to members of our Board of Directors. However, only options and restricted unit bonus awards were granted under the 2009 Plan.

In connection with our corporate conversion at the time of our initial public offering in March 2011, MagnaChip Semiconductor Corporation assumed the rights and obligations of MagnaChip Semiconductor LLC

under the 2009 Plan and converted MagnaChip Semiconductor LLC common unit options and restricted common units outstanding under the 2009 Plan into options to acquire a number of shares of our common stock and shares of restricted common stock at a ratio of eight-for-one on substantially equivalent terms and conditions. As of December 31, 2016, there were outstanding under the 2009 Plan options to purchase 524,399 shares of common stock, at a weighted average exercise price of \$6.44 per share. The 2009 Plan terminated immediately following our corporate conversion, and no additional options or other equity awards may be granted under the 2009 Plan. However, options granted under the 2009 Plan prior to its termination will remain outstanding until they are either exercised or expire.

The 2009 Plan is administered by the Committee. Subject to the provisions of the 2009 Plan, the Committee determined in its discretion the persons to whom and the times at which awards were granted, the sizes of such awards, and all of their terms and conditions. All awards were evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2009 Plan and awards granted under it.

In the event of a change in control of our Company, the vesting of all outstanding awards held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by a successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option.

2011 Equity Incentive Plan

Our 2011 Equity Incentive Plan, or the 2011 Plan, was approved by our Board of Directors and our stockholders in March 2010. We amended and restated the 2011 Plan in February 2011, and our stockholders approved the amendment in March 2011 to reflect that it became effective in 2011 upon our corporate conversion. 891,703 shares of our common stock, or the total number of shares of common stock (as adjusted by the conversion ratio in the corporate conversion) that remained available for grant upon the termination of the 2009 Plan immediately following the corporate conversion, were initially authorized and reserved.

As of December 31, 2016, there were outstanding under the 2011 Plan (a) restricted stock units with respect to 518,480 shares of common stock and (b) stock options to purchase 2,904,266 shares of common stock, at a weighted average exercise price of \$9.74 per share. As of December 31, 2016, 556,949 shares of our common stock remained available for issuance under the 2011 Plan. This reserve automatically increased on January 1, 2015, January 1, 2016 and January 1, 2017 by an additional 681,129, 691,378 and 700,840 shares, respectively, and will automatically increase each subsequent anniversary through 2021, by an amount equal to the smaller of 2% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or an amount determined by our Board of Directors. The number of shares authorized for issuance under the 2011 Plan will also be increased from time to time by up to that number of shares of common stock remaining subject to options and restricted stock awards outstanding under the 2009 Plan at the time of its termination immediately following the corporate conversion that expire or terminate or are forfeited for any reason after the effective date of the 2011 Plan, subject to a cap of 1,412,352 shares. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2011 Plan and in outstanding awards 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 awards granted under our 2011 Plan which expire, are repurchased, or are cancelled or forfeited will again become available for issuance under the 2011 Plan. The shares available will not be reduced by awards settled in cash. Shares withheld to satisfy tax withholding obligations will not again become available for grant. The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2011 Plan.

Awards may be granted under the 2011 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock-based awards to any eligible participant.

The 2011 Plan is administered by the Committee. Subject to the provisions of the 2011 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2011 Plan and awards granted under it.

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 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 of Directors who are not employees will automatically be accelerated in full. The 2011 Plan also authorizes the 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.

In 2016, the Board delegated to a special equity committee composed of our chief executive officer the authority to grant and administer RSU awards covering a total of 311,330 shares to approximately 1,100 nonunion employees of the Company (other than executive officers), with a maximum grant size of 1,000 shares per employee. Such RSUs vested on April 1, 2017.

2011 Employee Stock Purchase Plan

Our 2011 Employee Stock Purchase Plan, or the Purchase Plan, was approved by our Board of Directors in March 2010. Our Board of Directors amended and restated the Purchase Plan in February 2011 to reflect that the Purchase Plan would become effective in 2011 upon the commencement of the MagnaChip IPO. The Purchase Plan was approved by our stockholders in March 2011 and became effective upon the commencement of the MagnaChip IPO. We initially authorized and reserved 789,890 shares for sale under the Purchase Plan. In August 2012, the Committee suspended the Purchase Plan.

As of December 31, 2016, 1,163,880 shares of our common stock remained reserved for issuance under the Purchase Plan. In addition, 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 of Directors 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.

Our employees and employees of any parent or subsidiary corporation designated by the 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 Purchase Plan is 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 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 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 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 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 Committee, but the number of shares subject to outstanding purchase rights shall not be adjusted.

Outstanding Equity Awards at Fiscal Year End 2016

Name	Option Awards					Stock Awards	
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have not Vested (#)(9)	Market Value of Shares or Units of Stock That Have not Vested (\$)
Young-Joon Kim	5/6/2013	200,000(1)	— (1)	15.96	5/6/2023		
	6/9/2015	60,407(2)	30,203(2)	7.64	6/9/2025		
	6/9/2015					15,750(10)	97,650
	3/11/2016	— (3)	45,305(3)	5.53	3/11/2026		
Jonathan Kim	3/11/2016					23,625(11)	146,475
	3/12/2014	11,500(4)	1,000(4)	13.93	3/12/2024		
	6/12/2014	11,500(4)	1,000(4)	12.44	6/12/2024		
	9/12/2014	11,500(4)	1,000(4)	12.18	9/12/2024		
	12/12/2014	11,500(4)	1,000(4)	12.96	12/12/2024		
	6/9/2015	46,627(2)	23,313(2)	7.64	6/9/2025		
	6/9/2015					12,150(10)	75,330
	3/11/2016	— (3)	34,970(3)	5.53	3/11/2026		
Theodore Kim	3/11/2016					18,225(11)	112,995
	10/26/2013	50,000(5)	— (5)	21.79	10/26/2023		
	6/9/2015	34,493(2)	17,247(2)	7.64	6/9/2025		
	6/9/2015					9,000(10)	55,800
Tae Jong Lee	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
	3/11/2016					13,500(11)	83,700
	12/8/2009	49,000		5.88(8)	12/8/2019		
	1/15/2012	30,000(6)		7.75	1/15/2022		
	6/9/2015	29,293(2)	14,647(2)	7.64	6/9/2025		
Woung Moo Lee	6/9/2015					7,650(10)	47,430
	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
	3/11/2016					13,500(11)	83,700
	11/1/2013	50,000(7)	— (7)	19.56	11/1/2023		
	6/9/2015	29,293(2)	14,647(2)	7.64	6/9/2025		
	6/9/2015					7,650(10)	47,430
	3/11/2016	— (3)	25,870(3)	5.53	3/11/2026		
						13,500(11)	83,700

- (1) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on May 6, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (2) An installment of 50% of the shares of common stock subject to the options vested and became exercisable on June 9, 2015, with the remaining 50% vesting in three equal annual installments on the first three anniversaries of June 9, 2015. Any unvested options vest immediately upon a change in control.

- (3) The shares of common stock subject to the options will vest and become exercisable in three equal annual installments on the first three anniversaries of March 11, 2016. Any unvested options vest immediately upon a change in control.
- (4) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on March 12, 2015, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (5) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on October 26, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (6) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on January 15, 2013, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (7) An installment of 34% of the shares of common stock subject to the options vested and became exercisable on November 1, 2014, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of the next three periods of three months, an additional 9% of the options vest upon the completion of the next period of three months, and an additional 8% of the options vest upon the completion of each of the next three periods of three months. Any unvested options vest immediately upon a change in control.
- (8) The option exercise price at the time of grant was \$1.16 per common unit, or \$9.28 after giving effect to the corporate conversion. On April 19, 2010, we made a distribution to our unitholders of \$0.4254 per common unit, which resulted in the option exercise price being reduced to \$0.7346 per common unit, or \$5.88 after giving effect to the corporate conversion.
- (9) Represents unvested service-vesting RSUs granted on June 9, 2015 and March 11, 2016.
- (10) An installment of 50% of the shares of common stock subject to the RSUs vested on June 9, 2015, with the remaining 50% vesting in three equal annual installments on the first three anniversaries of June 9, 2015. Any unvested RSU vest immediately upon a change in control.
- (11) The shares of common stock subject to the RSUs will vest and become exercisable in three equal annual installments on the first three anniversaries of March 11, 2016. Any unvested RSUs vest immediately upon a change in control.

Option Exercises and Stock Vested

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>	<u>Number of Shares Acquired on Vesting (#)(1)</u>	<u>Value Realized on Vesting (\$)(2)</u>
Young-Joon Kim	—	—	7,875	45,439
Jonathan Kim	—	—	6,075	35,053
Theodore Kim	—	—	4,500	25,965
Tae Jong Lee	—	—	3,825	22,070
Woung Moo Lee	—	—	3,825	22,070

- (1) Represents RSUs that vested on June 9, 2016.
(2) Represents the value as of the date of vesting based on a share price of \$5.77.

Agreements with Executives and Potential Payments Upon Termination or Change in Control

We are obligated to make certain payments to our named executive officers upon termination or a change in control as further described below. The terms “cause” and “good reason” used below have the meanings given to them in the applicable agreements with us.

Young-Joon Kim. We entered into an Offer Letter with Mr. YJ Kim, dated as of April 15, 2013 and as amended on July 27, 2015, pursuant to which Mr. YJ Kim is entitled to an initial annual base salary of \$350,000 per year (subject to adjustment by our Board of Directors), a one-time signing bonus and relocation allowance of \$100,000, and an initial annual incentive bonus target of 80% (subject to adjustment by our Board of Directors) of his annual base salary based on company performance and attainment of management objectives under a plan established and approved by the Board of Directors. Mr. YJ Kim is also entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, on May 6, 2013, Mr. YJ Kim received an initial grant of an option to purchase an aggregate of 200,000 shares of the Company’s common stock at an exercise price of \$15.96, which vests and becomes exercisable over three years from the date of commencement of Mr. YJ Kim’s employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. YJ Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. YJ Kim’s Offer Letter. Under the Severance Agreement, if Mr. YJ Kim’s employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. YJ Kim will be entitled to receive (i) an amount equal to two times his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of expatriate benefits for 12 months following termination of employment, (v) continued reasonable use of our corporate club membership for 12 months following termination of employment, (vi) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. YJ Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. YJ Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also

provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. YJ Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. YJ Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Jonathan Kim. We entered into an Offer Letter with Mr. J. Kim, dated as of March 8, 2014, pursuant to which Mr. J. Kim will be paid an initial base salary of \$280,000 per year (subject to adjustment by our Board of Directors), a sign on bonus of \$50,000, a one-time relocation payment of \$50,000 and an annual incentive bonus based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. J. Kim is entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, Mr. J. Kim will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock, which will be granted in four equal tranches during the nine-month period beginning on the commencement of his employment with MagnaChip Korea. The option grants will become vested and exercisable over three years from the date of commencement of Mr. J. Kim's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. J. Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. J. Kim's Offer Letter. Under the Severance Agreement, if Mr. J. Kim's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. J. Kim will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of expatriate benefits for 12 months following termination of employment, (v) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vi) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. J. Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. J. Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. J. Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. J. Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Theodore Kim. We entered into an Offer Letter with Mr. T. Kim, dated as of September 27, 2013, pursuant to which Mr. T. Kim will be paid an initial base salary of \$280,000 per year (subject to adjustment by our Board of Directors), and an initial annual incentive bonus of up to 30% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a

plan to be established and approved by the Company's Board of Directors. Mr. T. Kim is entitled to customary employee benefits and expatriate benefits. Pursuant to his Offer Letter, Mr. T. Kim will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock. The option grants will become vested and exercisable over three years from the date of commencement of Mr. T. Kim's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. T. Kim, dated as of November 3, 2015, which supersedes the severance provisions in Mr. T. Kim's Offer Letter. Under the Severance Agreement, if Mr. T. Kim's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. T. Kim will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, (iii) for 12 months following termination of employment, payment of any portion of health benefit premiums that are in excess of the amount he would have paid if he had remained employed during such period, (iv) continued provision of expatriate benefits for 12 months following termination of employment, (v) a repatriation allowance and repatriation expenses in accordance with our expatriate benefit policy, and (vi) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. T. Kim with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. T. Kim will also be entitled to receive (i) an amount equal to his then current base salary, payable in a single cash lump sum following termination of employment, and (ii) an additional 6 months of payments of health benefit premiums as described in part (iii) of the preceding sentence. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. T. Kim will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. T. Kim must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Tae Jong Lee. We entered into an Offer Letter with Mr. TJ Lee, dated as of June 20, 2007, pursuant to which Mr. TJ Lee will be paid an initial base salary of 170,000,000 Korean won per year (subject to adjustment by our Board of Directors), a sign on bonus of 20,000,000 Korean won, a one-time relocation payment of 8,000,000 Korean won, and an initial annual incentive bonus with a target of 50% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. TJ Lee is entitled to customary employee benefits as well as a monthly housing allowance of 3,600,000 Korean won and an annual children's tuition reimbursement of up to 32,400,000 Korean won. Pursuant to his Offer Letter, Mr. TJ Lee will receive an initial grant of an option at a per share exercise price equal to the greater of \$3.00 or the then fair market value to purchase an aggregate of 40,000 shares of the Company's common stock. The option grants will become vested and exercisable over four years from the date of commencement of Mr. TJ Lee's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. TJ Lee, dated as of November 3, 2015, which supersedes the severance provisions in Mr. TJ Lee's Offer Letter. Under the Severance Agreement, if Mr. TJ Lee's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. TJ Lee will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment, (ii) continued housing payments for 12 months following termination of employment and (iii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any

stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. TJ Lee with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. TJ Lee will also be entitled to receive an amount equal to his then current base salary, payable during the 12-month period following termination of employment. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. TJ Lee will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. TJ Lee must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Woung Moo Lee. We entered into an Offer Letter with Mr. WM Lee, dated as of October 16, 2013, pursuant to which Mr. WM Lee will be paid an initial base salary of 230,000,000 Korean won per year (subject to adjustment by our Board of Directors), and an initial annual incentive of up to 30% (subject to adjustment by our Board of Directors) of his base salary based on company performance and attainment of management objectives under a plan to be established and approved by the Company's Board of Directors. Mr. WM Lee is entitled to customary employee benefits. Pursuant to his Offer Letter, Mr. WM Lee will receive an initial grant of an option to purchase an aggregate of 50,000 shares of the Company's common stock. The option grants will become vested and exercisable over three years from the date of commencement of Mr. WM Lee's employment with MagnaChip Korea. We entered into a Severance Agreement with Mr. WM Lee, dated as of November 3, 2015, which supersedes the severance provisions in Mr. WM Lee's Offer Letter. Under the Severance Agreement, if Mr. WM Lee's employment is terminated by us without cause or by him with good reason, in addition to accrued but unpaid salary, vested non-severance benefits under other Company benefit plans and statutory severance under Korean law, Mr. WM Lee will be entitled to receive (i) an amount equal to his then current base salary, payable during the 12-month period following termination of employment and (ii) immediate vesting of all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) upon termination of employment, with any stock options remaining outstanding and exercisable for two years following such termination (or the expiration of the option, if earlier). If such termination of employment by us without cause or by Mr. WM Lee with good reason occurs within three months prior to or 18 months following a change in control, in addition to the benefits described in the preceding sentence, Mr. WM Lee will also be entitled to receive an amount equal to his then current base salary, payable during the 12-month period following termination of employment. The Severance Agreement also provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by Mr. WM Lee will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under the Severance Agreement is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of the Severance Agreement but not the 2011 Equity Incentive Plan. As a condition to the receipt of payments and benefits under the Severance Agreement, Mr. WM Lee must comply with the terms of certain restrictive covenants, including a two-year post-termination non-competition covenant and perpetual non-disclosure and employee non-solicitation covenants.

Potential Payments upon Termination or Change in Control.

Termination. Our named executive officers are eligible to receive certain payments and benefits in connection with certain service termination events pursuant to the terms of our Severance Agreements with them, as further described under the section entitled "Agreements with Executives and Potential Payments Upon

Termination or Change in Control.” The terms “cause” and “good reason” used below have the meanings given to them in the applicable agreements with us.

Change in Control. The Committee has the authority to require that outstanding equity awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the units subject to an option over the exercise price per unit of such option. For purposes of the foregoing, a “change in control” is generally defined as the acquisition by a person or entity of more than 51% of the combined voting power of our then outstanding voting securities or a sale or transfer of all or substantially all of our consolidated assets to a person or entity that is not our affiliate. The Severance Agreements with our named executive officers each provides that, in the event of a change in control, all outstanding and unvested equity awards (including, without limitation, stock options and RSUs) held by such executive will become immediately vested and, in the case of options, exercisable, as of immediately prior to such change in control. The definition of change in control under such Severance Agreements is the same as under our 2011 Equity Incentive Plan, except that a sale of assets representing at least 65% of our consolidated annual revenue or assets, or a sale of either of our Standard Products Group or foundry business lines, is a change in control for purposes of such Severance Agreement but not the 2011 Equity Incentive Plan.

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, 2016, and assuming a closing per share price of \$6.20 on December 31, 2016. The disclosure in the following table does not include:

- any accrued benefits that were earned and payable as of December 31, 2016; 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 (\$)(2)	Continuation of Benefits and Perquisites (\$)(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	1,671,000	343,295	539,484(4)	2,553,779
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	2,228,000	343,295	568,238(5)	3,139,533
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—		—	
Change in Control (without termination of employment)	—	343,295	—	343,295

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.

- (4) Includes the following continuation of benefits and perquisites for Mr. YJ Kim: (a) \$144,851, which is housing expenses for Mr. YJ Kim’s housing lease; (b) \$37,662 for reimbursement of tuition expenses for Mr. YJ Kim’s children; (c) \$25,626 for Mr. YJ Kim’s home leave flights; (d) \$57,510 for insurance premiums; (e) \$77,084 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (f) \$148,395 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (g) \$48,356 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$28,754 of insurance premiums for extended 6 months of insurance coverage periods.

Jonathan Kim

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	700,000	265,054	211,656(4)	1,176,710
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	1,050,000	265,054	229,634(5)	1,544,687
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment)	—	265,054		265,054

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.
- (4) Includes the following continuation of benefits and perquisites for Mr. J. Kim: (a) \$21,728, which is housing expenses for Mr. J. Kim’s housing lease; (b) \$12,670 for Mr. J. Kim’s home leave flights; (c) \$35,956 for insurance premiums; (d) \$74,564 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$63,174 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (f) \$3,564 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$17,978 of insurance premiums for extended 6 months of insurance coverage periods.

Theodore Kim

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	660,000	196,125	164,256(4)	1,020,381
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	990,000	196,125	178,157(5)	1,364,281
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment)	—	196,125		196,125

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Represents continuation of benefits and perquisites pursuant to the Severance Agreement and our expatriate benefit policy. See “—Agreements with Executives and 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 2016 benefits.
- (4) Includes the following continuation of benefits and perquisites for Mr. T. Kim: (a) \$56,479, which is housing expenses for Mr. T. Kim’s housing lease; (b) \$13,970 for Mr. T. Kim’s home leave flights; (c) \$27,802 for insurance premiums; (d) \$27,549 for other personal benefits (including personal use of a car service provided by the Company and living expenses); (e) \$30,571 of estimated reimbursement for the difference between the actual tax and the hypothetical tax he will pay for the applicable fiscal year; and (f) \$7,885 for estimated reimbursement of Korean tax.
- (5) Same as the total amount of Note (4) except \$13,901 of insurance premiums for extended 6 months of insurance coverage periods.

Tae Jong Lee

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	291,991	185,786	23,345 (4)	501,122
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	583,981	185,786	23,345 (5)	793,112
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—			
Change in Control (without termination of employment)	—	185,786		185,786

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with

Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.

- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2016 benefits.
- (4) Represents housing expenses for Mr. TJ Lee’s housing lease.
- (5) Same as the amount of Note (4).

Woung Moo Lee

	Cash Severance Payment \$(1)	Value of Equity Award Acceleration \$(2)	Continuation of Benefits and Perquisites \$(3)	Total (\$)
Termination By the Company Without Cause / By Executive for Good Reason	292,302	185,786	—	478,089
Termination By the Company Without Cause / By Executive for Good Reason, In Connection With a Change in Control	584,605	185,786	—	770,391
Termination By the Company for Cause / By Executive without Good Reason / Disability / Death	—	—	—	—
Change in Control (without termination of employment)	—	185,786	—	185,786

- (1) Represents cash severance payments payable pursuant to the Severance Agreement, as well as certain statutory severance benefits under the Employee Retirement Benefit Security Act. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” and “—Pension Benefits for the Fiscal Year Ended December 31, 2016” for additional information.
- (2) Represents the value of immediate vesting of all outstanding stock options and RSUs pursuant to the Severance Agreement. See “—Agreements with Executives and Potential Payments Upon Termination or Change in Control” for additional information.
- (3) Calculated assuming benefits for the applicable period will have the same dollar value as corresponding 2016 benefits.

Pension Benefits for the Fiscal Year Ended December 31, 2016

In addition to the severance benefits described above, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident 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 officer’s salary for the prior three-month period. Accordingly, if the named executive officers in the following table had retired on the last day of our fiscal year ended December 31, 2016, they would have been entitled to the statutory severance payments described below. 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 (\$)	Payments During the Last Fiscal Year
Young Joon Kim	Statutory Severance	4	163,374	—
Jonathan Kim	Statutory Severance	3	79,327	—
Theodore Kim	Statutory Severance	4	85,793	—
Tae Jong Lee	Statutory Severance	10	225,256	—
Woung Moo Lee	Statutory Severance	3	76,426	—

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

Director Compensation for the Fiscal Year Ended December 31, 2016

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(9)	Option Awards \$(10)	Total (\$)
Michael Elkins	69,582(2)	94,916	102,521(11)	267,019
Melvin Keating	134,630(3)	59,999	65,894(12)	260,523
Randal Klein(1)	—	—	—	—
Ilbok Lee	208,926(4)	94,916	102,521(11)	406,363
Camillo Martino	130,146(5)	59,999	65,894(12)	256,039
R. Douglas Norby	129,393(6)	34,916	36,628(13)	200,938
Nader Tavakoli	216,746(7)	94,916	102,521(11)	414,183
Gary Tanner	289,444(8)	94,916	102,521(11)	486,881

- (1) This director did not receive any compensation in 2016.
- (2) Consists of an annual retainer of \$66,925 paid to independent directors plus an additional \$8,014 for serving as Board Chairman, an additional \$11,401 for serving as the chair of our Compensation Committee, an additional \$1,068 for serving as a member of our Compensation Committee, an additional \$8,730 for serving as a member of our Audit Committee, an additional \$3,444 for serving as a member of our Nominating and Corporate Governance Committee and an additional \$15,000 in meeting fees pursuant to our director compensation policy each for services performed from January 1, 2016 through September 8, 2016 when Mr. Elkins resigned from our Board of Directors. In 2016, Mr. Elkins returned \$45,000 for serving as Lead Director paid by the Company in 2015 due to our Board of Director's decision not to appoint a Lead Director for 2015.
- (3) Consists of an annual retainer of \$90,000 paid to independent directors plus an additional \$20,479 for serving as the chair of our Audit Committee, an additional \$1,151 for serving as a member of our Audit Committee, each partially paid in advance for serving as a non-employee director and as a committee chair or committee member from the date of our 2016 annual meeting through the date of our 2017 annual meeting, an additional \$3,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.
- (4) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$15,820 for serving as the chair of our Nominating and Corporate Governance Committee, an additional \$15,820 for serving as a member of our Compensation Committee, an additional \$7,910 for serving as a member of our Risk Committee, each partially paid in advance for serving as a

- committee chair and committee member from January 1, 2016 until our 2017 annual meeting, and an additional \$27,000 in meeting fees pursuant to our director compensation policy.
- (5) Consists of an annual retainer of \$90,000 paid to independent directors plus an additional \$12,288 for serving as the chair of our Compensation Committee, an additional \$767 for serving as a member of our Compensation Committee, an additional \$4,091 for serving as a member of our Nominating and Corporate Governance Committee, each partially paid in advance for serving as a non-employee director and as a committee chair or committee member from the date of our 2016 annual meeting through the date of our 2017 annual meeting, an additional \$3,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.
 - (6) Consists of an annual retainer of \$52,377 paid to independent directors plus an additional \$43,648 for serving as Board Chairman, an additional \$14,549 for serving as the chair of our Audit Committee, an additional \$2,910 for serving as a member of our Nominating and Corporate Governance Committee, an additional \$2,910 for serving as a member of our Risk Committee, each for serving as a non-employee director, as Board Chairman, and as a committee chair or committee member from January 1, 2016 through July 31, 2016, and an additional \$13,000 in meeting fees pursuant to our director compensation policy.
 - (7) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$15,820 for serving as the chair of our Risk Committee, an additional \$23,730 for serving as a member of our Audit Committee, an additional \$15,820 for serving as a member of our Compensation Committee, each partially paid in advance for serving as a committee chair and committee member from January 1, 2016 until our 2017 annual meeting, and an additional \$19,000 in meeting fees pursuant to our director compensation policy.
 - (8) Consists of an annual retainer of \$142,377 paid to independent directors, consisting of \$52,377 for serving as a non-employee director from January 1, 2016 through July 31, 2016 and \$90,000 paid in advance for serving as a non-employee director from the date of our 2016 annual meeting until our 2017 annual meeting, plus an additional \$61,433 for serving as Board Chairman, an additional \$2,712 for serving as the chair of our Compensation Committee, an additional \$23,730 for serving as a member of our Audit Committee, an additional \$8,192 for serving as a member of our Compensation Committee, an additional \$5,000 for serving as a member of our Nominating and Corporate Governance Committee, each partially paid in advance for serving as Board Chairman, as a committee chair and as committee member from January 1, 2016 until our 2017 annual meeting, an additional \$26,000 in meeting fees, and an additional \$20,000 in Advisory Committee fees pursuant to our director compensation policy.
 - (9) Represents the grant date fair value of RSUs granted in 2016. As of December 31, 2016, Mr. Elkins held 22,020 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Keating held 8,119 RSUs in the aggregate, of which none of RSUs had vested as of December 31, 2016, Dr. Lee held 30,139 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Martino held 8,119 RSUs in the aggregate, of which none of RSUs had vested as of December 31, 2016, Mr. Norby held 22,020 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016, Mr. Tavakoli held 30,139 RSUs in the aggregate, of which 22,020 had vested as of December 31, 2016 and Mr. Tanner held 19,841 RSUs in the aggregate, of which 11,722 had vested as of December 31, 2016. Mr. Klein, our other non-employee director as of December 31, 2016, did not hold any outstanding stock or option awards as of December 31, 2016.
 - (10) Represents grant date fair value determined in accordance with FASB ASC 718. See Note 1 “Business, Basis of Presentation and Summary of Significant Accounting Policies—Stock-Based Compensation,” and Note 13 “Equity Incentive Plans” to our consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” in the Original 10-K Filing. As of December 31, 2016, Mr. Elkins held aggregate options to purchase 154,856 shares of our common stock, of which 154,856 shares subject to the options had vested as of December 31, 2016, Mr. Keating held aggregate options to purchase 37,904 shares of our common stock, of which none of shares subject to the options had vested as of December 31, 2016, Dr. Lee held aggregate options to purchase 192,760 shares of our common stock, of which 154,856 shares subject to the options had vested as of December 31, 2016, Mr. Martino held aggregate options to purchase 37,094 shares of our common stock, of which none of shares subject to the options had vested as of December 31, 2016, Mr. Norby held aggregate options to purchase 174,856 shares of our common stock,

of which 174,856 shares subject to the options had vested as of December 31, 2016, Mr. Tavakoli held aggregate options to purchase 200,960 shares of our common stock, of which 163,056 shares subject to these options had vested as of December 31, 2016 and Mr. Tanner held aggregate options to purchase 81,284 shares of our common stock, of which 43,380 shares subject to the options had vested as of December 31, 2016. Mr. Klein, our other non-employee director as of December 31, 2016, did not hold any outstanding stock or option awards as of December 31, 2016.

- (11) Consists of an option grant to the independent director to purchase 29,478 shares of common stock issued on March 11, 2016 under the 2011 Plan at an exercise price of \$5.53 for serving as a non-employee director from January 1, 2016 through July 31, 2016 plus an option grant to the independent director to purchase 37,904 shares of common stock issued on August 8, 2016 under the 2011 Plan at an exercise price of \$7.39 for serving as a non-employee director from the date of our 2016 annual meeting through the date of our 2017 annual meeting.
- (12) Consists of an option grant to the independent director to purchase 37,904 shares of common stock issued on August 8, 2016 under the 2011 Plan at an exercise price of \$7.39 for serving as a non-employee director from the date of our 2016 annual meeting through the date of our 2017 annual meeting.
- (13) Consists of an option grant to the independent director to purchase 29,478 shares of common stock issued on March 11, 2016 under the 2011 Plan at an exercise price of \$5.53 for serving as a non-employee director from January 1, 2016 through July 31, 2016.

Further Information Regarding Director Compensation

Under our director compensation policy in effect in 2016, (i) each non-employee director received a fee of \$90,000 per year; (ii) the chairman of the Board received an additional fee of \$75,000 per year; (iii) the chair of our Audit Committee received an additional fee of \$25,000 per year; (iv) the chair of our Compensation Committee received an additional fee of \$15,000 per year; (v) the chair of our Nominating and Corporate Governance Committee and the chair of our Risk Committee each received an additional fee of \$10,000 per year; (vi) each member of our Audit Committee received an additional \$15,000 per year, each member of Compensation Committee received an additional \$10,000 per year and each member of our Nominating and Corporate Governance Committee and Risk Committee received an additional fee of \$5,000 per year per committee; (vii) upon election to the Board of Directors, each non-employee director will be granted, pursuant to the Company's equity incentive plan as in effect at such time, an option having a grant date fair value equal to \$60,000, at an exercise price per share determined as the fair market value of a share on the date of grant and with vesting over one year at a rate of 100% on the first anniversary of grant, and a restricted stock unit award having a grant date fair value equal to \$60,000 with vesting over one year at a rate of 100% on the first anniversary of grant, with such grants to be 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; and (viii) if a non-employee director's initial appointment to the Board occurs other than at an Annual Meeting of Stockholders of the Company, such director will be granted, pursuant to the Company's equity incentive plan as in effect at such time, an option (at an exercise price per share determined as the fair market value of a share on the date of grant) and a restricted stock unit award having an aggregate grant date fair value equal to \$120,000 multiplied by the quotient of 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) divided by 365 (with each of the option and the restricted stock unit award to comprise 50% of such total grant), with such grants to vest 100% on the date of the Company's next Annual Meeting of Stockholders (or, if earlier, August 31 of such year). In 2016, the Company changed the timing of payment of its annual and committee service fees to non-employee directors such that each of the cash payments referenced in the preceding sentences was paid on the meeting date of the Company's 2016 Annual Meeting of Stockholders for the annual period of service beginning on such meeting date and continuing through the date of the 2017 Annual Meeting of Stockholders. As a result, the Company also made a prorated payment of director fees owed for the period from January 1, 2016 through July 31, 2016. Effective January 2017, the cash payments referenced above will be paid in quarterly installments for any fiscal quarter during which a non-employee director serves on the Board of Directors. Our non-employee directors also receive certain fees for attending meetings of the Board of Directors, the standing committees on which they serve and certain

ad hoc committees on which they serve, including a fee of \$10,000 for each on-site visit to the Company's Korean headquarters made by a member of the Advisory Committee of the Board of Directors. Our director compensation policy in effect for 2016 also provided that the Lead Director of the Board, if any, would receive an additional fee of \$45,000 per year. No Lead Director was appointed for 2016. Mr. Klein is required by the internal policy of his employer, Avenue, to waive all compensation under the policy on a year-by-year basis. The Board of Directors accepted his waiver of all compensation under the policy for his services as director during the year 2016.

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 2016, decisions regarding executive officer compensation were made by our Compensation Committee. Mr. YJ Kim, our Chief Executive Officer, participated in deliberations of our Compensation Committee regarding the determination of compensation of our executive officers other than himself for 2016 and prior periods. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our Board of Directors.

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 of Directors that the Compensation Discussion and Analysis be included in this Amendment No. 1 on Form 10-K/A for the year ended December 31, 2016.

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 Committee:

Camillo Martino, Chair
Ilbok Lee
Gary Tanner
Nader Tavakoli

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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 5% of any class of our outstanding securities; (2) each member of our Board of Directors; (3) each of our named executive officers; and (4) all of the members of our Board of Directors and executive officers, as a group. The following tables list the number of shares and percentage of shares beneficially owned based on 33,553,688 shares of common stock outstanding as of March 31, 2017.

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 c/o MagnaChip Semiconductor, Ltd., 215 Daesin-ro, Hungduk-gu, Cheongju-si, 361-725, Korea.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Class(1)</u>
Principal Stockholders		
Funds managed by Brigade Capital Management, LP(2)	5,855,621	17.5%
Funds managed by Avenue Capital Management II, L.P.(3)	4,088,978	12.2%
Funds managed by Engaged Capital, LLC(4)	4,058,667	12.1%
Funds managed by North Run Advisors, LLC(5)	3,400,000	10.1%
Funds managed by Capital World Investors(6)	2,355,000	7.0%
Directors and Executive Officers		
Melvin Keating	6,500	*
Randal Klein(7)	—	—
Ilbok Lee(8)	176,876	*
Camillo Martino	8,000	*
Gary Tanner(9)	55,102	*
Nader Tavakoli(10)	190,626	*
Young-Joon Kim(11)	314,883	*
Jonathan Kim(12)	138,658	*
Theodore Kim(13)	115,616	*
Tae Jong Lee(14)	157,716	*
Woung Moo Lee(15)	107,716	*
Directors and Officers as a group (11 persons)(16)	1,271,693	3.7%

* 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 March 31, 2017.
- (2) Based on the information contained in an Amendment No. 2 to Schedule 13G filed with the SEC on January 20, 2017 by Brigade Capital Management, LP (“Brigade Capital”), Brigade Capital Management GP, LLC (“Bridge Capital Management”), Brigade Leveraged Capital Structures Fund Ltd. (“Brigade Fund”) and Donald E. Morgan, III. Each of Brigade Capital, Brigade Capital Management, Bridge Fund and Mr. Morgan may be deemed to beneficially own the shares of common stock listed in the table above and has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of such shares (except that Brigade Fund beneficially owns, and shares power to vote or to direct the vote and shares power to dispose or to direct the disposition of, 4,856,227 of such shares). The shares of common stock listed in the table above includes 5.00% Exchangeable Senior Notes due 2021 issued by MagnaChip Semiconductor S.A. (the “Exchangeable Senior Notes”) that are exchangeable at the option of the holder into 2,725,621 shares of our common stock. The Exchangeable Senior Notes are subject to a blocker provision that precludes Brigade Capital and its affiliates from converting the Exchangeable Senior Notes to the extent that Brigade Capital and its affiliates would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act) in excess of 12.49% of our common stock outstanding immediately after giving effect to such conversion. The business address of each of Brigade Capital, Bridge Capital Management and Mr. Morgan is 399 Park Avenue, 16th Floor, New York, New York 10022. The business

address of Brigade Fund is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

- (3) Based on information contained in an Amendment No. 4 to Schedule 13G filed with the SEC on February 12, 2016 by Avenue Partners, LLC (“Avenue Partners”), Avenue Capital Management II, L.P. (“Avenue Capital Management”), Avenue Capital Management II GenPar, LLC (“Avenue Capital Management GenPar”) and Marc Lasry. Avenue Partners is the general partner of Avenue Investments, L.P. (“Avenue Investments”) and the sole shareholder of Avenue International Master GenPar, Ltd. (“Avenue International GenPar”), the general partner of Avenue International Master, L.P. (“Avenue International Master”), with respect to the common stock held by Avenue Investments and Avenue International, Ltd. (“Avenue International”). Avenue Capital Management is the investment manager to Avenue Investments, Avenue International, Avenue-CDP Global Opportunities Fund, L.P. (“Avenue-CDP”), Avenue PPF Opportunities Fund, L.P. (“Avenue PPF”), Avenue Special Situations Fund IV, L.P. (“Avenue Fund IV”), Avenue Special Situations Fund V, L.P. (“Avenue Fund V”) and Avenue Entrust Customized Portfolio SPC on behalf of and for the account of Avenue US/Europe Distressed Segregated Portfolio (“Avenue Entrust”) (collectively, the “Funds”). Avenue Capital Management GenPar is the general partner of Avenue Capital Management. Mr. Lasry is the managing member of Avenue Partners and Avenue Capital Management GenPar.

Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry beneficially own 4,088,978 shares of common stock through the Funds. The Funds ownership is as follows: Avenue Investments owns 722,264 shares of common stock, Avenue International owns 1,234,715 shares of common stock, Avenue-CDP owns 84,924 shares of common stock, Avenue Fund IV owns 496,023 shares of common stock, Avenue Fund V owns 619,115 shares of common stock, Avenue Entrust owns 119,747 shares of common stock and Avenue PPF owns 812,190 shares of common stock. Avenue Partners beneficially owns 1,956,979 shares of common stock through Avenue Investments and Avenue International Master.

Avenue International GenPar, Avenue Partners, Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry have the shared power to vote and dispose of the shares of common stock held by the Funds. The address for Avenue Partners, Avenue Capital Management, Avenue Capital Management GenPar and Mr. Lasry is 399 Park Avenue, 6th Floor, New York, NY 10022.

- (4) Based on information contained in an Amendment No. 6 to Schedule 13D filed with the SEC on January 13, 2017 by (i) Engaged Capital Flagship Master Fund, LP (“Engaged Capital Flagship Master”), a Cayman Islands exempted limited partnership formerly known as Engaged Capital Master Feeder II, LP, with respect to the Shares directly and beneficially owned by it, (ii) Engaged Capital Flagship Fund, LP (“Engaged Capital Fund”), a Delaware limited partnership formerly known as Engaged Capital II, LP, as a feeder fund of Engaged Capital Flagship Master, (iii) Engaged Capital Flagship Fund, Ltd. (“Engaged Capital Offshore”), a Cayman Islands exempted company formerly known as Engaged Capital II Offshore Ltd., as a feeder fund of Engaged Capital Flagship Master, (iv) Engaged Capital, LLC, a Delaware limited liability company (“Engaged Capital”), as the general partner and investment adviser of Engaged Capital Flagship Master and the investment adviser of a certain managed account (the “Engaged Capital Account”), (v) Engaged Capital Holdings, LLC, a Delaware limited liability company (“Engaged Holdings”), as the managing member of Engaged Capital and (vi) Glenn W. Welling, as the Founder and Chief Investment Officer (“CIO”) of Engaged Capital and the sole member of Engaged Holdings. Engaged Capital Flagship Master beneficially owns 3,710,817 of the shares of common stock listed in the table above, which includes 605,693 shares of common stock issuable upon the conversion of the Exchangeable Senior Notes. Engaged Capital Flagship Master and the Engaged Capital Account own Exchangeable Senior Notes convertible into 544,674 shares of our common stock and 61,019 shares of our common stock, respectively. The Exchangeable Senior Notes are subject to a blocker provision that precludes a holder and its affiliates from converting the Exchangeable Senior Notes to the extent that such holder and its affiliates would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act) in excess of 9.99% of our common stock outstanding immediately after giving effect to such conversion. Each of Engaged Capital Fund and Engaged Capital Offshore, as feeder funds of Engaged Capital Flagship Master, may be deemed to beneficially own the 3,710,817 shares beneficially owned directly by Engaged Capital Flagship Master.

347,850 of the shares of common stock listed in the table above were held in the Engaged Capital Account. Engaged Capital, as the general partner and investment adviser of Engaged Capital Flagship Master and the investment adviser of the Engaged Capital Account, may be deemed to beneficially own the common shares directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. Engaged Holdings, as the managing member of Engaged Capital, may be deemed to beneficially own the shares of common stock directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. Mr. Welling, as the Founder and CIO of Engaged Capital and sole member of Engaged Holdings, may be deemed to beneficially own the shares of common stock directly beneficially owned in the aggregate by Engaged Capital Flagship Master and held in the Engaged Capital Account. By virtue of their respective positions with Engaged Capital Flagship Master, each of Engaged Capital Fund, Engaged Capital Offshore, Engaged Capital, Engaged Holdings and Mr. Welling may be deemed to have sole power to vote and dispose of the shares of common stock owned by Engaged Capital Flagship Master. By virtue of their respective positions with the Engaged Capital Account, each of Engaged Capital, Engaged Holdings and Mr. Welling may be deemed to have sole power to vote and dispose of the Shares held in the Engaged Capital Account. Each of Engaged Capital Flagship Master, Engaged Capital Fund, Engaged Capital Offshore, Engaged Capital, Engaged Holdings and Mr. Welling specifically disclaims beneficial ownership of the securities listed herein that he or it does not directly own. The business address of each of Engaged Capital Flagship Master and Engaged Capital Offshore is c/o Codan Trust Company (Cayman) Ltd., Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The business address of each of Engaged Capital Fund, Engaged Capital, Engaged Holdings and Mr. Welling is 610 Newport Center Drive, Suite 250, Newport Beach, California 92660.

- (5) Based on the information contained in a Schedule 13G filed with the SEC on February 12, 2016 by North Run Advisors, LLC (“North Run”), North Run Capital, LP (“North Run Capital”), Todd B. Hammer and Thomas B. Ellis. Each of North Run, North Run Capital, Mr. Hammer and Mr. Ellis may be deemed the beneficial owner of all of the shares of common stock listed in the table above and has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of such shares. The business address of each is One International Place, Suite 2401 Boston, MA 02110.
- (6) Based on information contained in an Amendment No. 1 to Schedule 13G filed with the SEC on February 13, 2017 by Capital World Investors (“Capital World”), a division of Capital Research and Management Company (“CRMC”). Capital World is deemed to be the beneficial owner of the shares of common stock listed in the table above as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital World may be deemed to have sole power to vote and dispose of the shares of common stock listed in the table above. One or more clients of Capital World have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares of common stock. Capital World holds more than five percent of the outstanding common stock as of December 30, 2016 on behalf of SMALLCAP World Fund, Inc. The business address for Capital World is 333 South Hope Street Los Angeles, CA 90071.
- (7) The address for Mr. Klein is 399 Park Avenue, 6th Floor, New York, NY 10022.
- (8) Represents 15,706 shares of common stock, options to purchase 154,856 shares of common stock and 6,314 shares of common stock subject to restricted stock units (“RSUs”) that will be vested and may be exercised or settled, as applicable, as of May 30, 2017.
- (9) Represents 5,408 shares of common stock, options to purchase 43,380 shares of common stock and 6,314 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of May 30, 2017.
- (10) Represents 21,256 shares of common stock, options to purchase 163,056 shares of common stock and 6,314 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of May 30, 2017.
- (11) Represents 39,375 shares of common stock and options to purchase 275,508 shares of common stock that will be vested as of May 30, 2017.
- (12) Represents 30,375 shares of common stock and options to purchase 108,283 shares of common stock that will be vested and may be exercised as of May 30, 2017.

- (13) Represents 22,500 shares of common stock and options to purchase 93,116 shares of common stock that will be vested and may be exercised as of May 30, 2017.
- (14) Represents 40,800 shares of common stock and options to purchase 116,916 shares of common stock that will be vested and may be exercised as of May 30, 2017.
- (15) Represents 19,800 shares of common stock and options to purchase 87,916 shares of common stock that will be vested and may be exercised as of May 30, 2017.
- (16) Our directors and executive officers as of March 31, 2017 as a group beneficially own 1,271,693 shares of common stock or 3.7%, which represents 209,720 shares of common stock, options to purchase 1,043,031 shares of common stock and 18,942 shares of common stock subject to RSUs that will be vested and may be exercised or settled, as applicable, as of May 30, 2017.

Equity Compensation Plan Table

The following table provides information as of December 31, 2016, regarding securities authorized for issuance under the Company's compensation plans. The Company's compensation plans include the 2009 Plan, the 2011 Plan, and the Purchase Plan. The numbers in the following table do not include options or shares that may be added to the issuable amounts under the 2011 Plan or the Purchase Plan, respectively, after December 31, 2016, in accordance with the terms of the respective plans.

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	3,947,145(1)	\$9.23(1)	556,949(2)
Equity compensation plans not approved by security holders	—	—	—
Total:	3,947,145		556,949

- (1) Comprised of (a) stock options to purchase 524,399 shares of common stock under the 2009 Plan, at a weighted average exercise price of \$6.44 per share, (b) stock options to purchase 2,904,266 shares of common stock under the 2011 Plan, at a weighted average exercise price of \$9.74 per share, and (c) 518,480 shares of common stock subject to restricted stock units under the 2011 Plan. 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, 2016, for future issuance under the suspended Purchase Plan.

For more information on our 2009 Plan, 2011 Plan and Purchase Plan, please see the narrative disclosure following "Item 11: Executive Compensation—Grants of Plan-Based Awards for fiscal year 2016" above.

Item 13. Certain Relationships and Related Transactions, and Director Independence

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, shareholder 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.

Registration Rights Agreement

On November 9, 2009, we entered into a registration rights agreement with the holders of MagnaChip Semiconductor LLC's common units issued in our reorganization proceedings, including Avenue, where we granted them registration rights with respect to our common stock for which the Company may incur fees and expenses in connection with the exercise of such registration rights.

Exchangeable Notes Offering Stock Repurchase

On January 17, 2017, the Company's wholly-owned subsidiary, MagnaChip Semiconductor S.A. (the "Issuer"), closed an offering (the "Exchangeable Notes Offering") of \$86.25 million aggregate principal amount of the Exchangeable Senior Notes.

Engaged Capital Flagship Master Fund, LP ("Engaged Capital Flagship Master Fund"), a fund for whom Engaged Capital, LLC ("Engaged Capital") serves as investment advisor, purchased \$4,496,288 principal amount of the Issuer's Exchangeable Senior Notes in the Exchangeable Notes Offering. Funds managed by Engaged Capital beneficially own approximately 12.1% of the Company's common stock (subject to certain blocker provisions in the Exchangeable Senior Notes that may limit conversion to an aggregate of 9.99% of the Company's common stock). In connection with the Exchangeable Notes Offering, the Company also repurchased 347,850 and 52,150 shares of the Company's common stock from Engaged Capital Flagship Master Fund, and a managed account for which Engaged Capital serves as investment adviser, respectively, at an aggregate purchase price of \$2.21 million and \$0.33 million, respectively.

Director Independence

The Board of Directors reviews the independence of each director annually. In determining the independence of our directors, our Board of Directors 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 of Directors has determined that the following directors are independent: Mr. Melvin L. Keating,, Dr. Ilbok Lee, Mr. Camillo Martino, Mr. Gary Tanner and Mr. Nader Tavakoli. Our Board of Directors also determined that R. Douglas Norby and Michael Elkins, each of whom served as a director during 2016, were independent based upon the foregoing criteria. In making such determination of independence for Mr. Elkins under the applicable NYSE independence standards, the Board of Directors specifically considered Mr. Elkins' previous employment and consulting arrangement with Avenue.

Item 14. Principal Accounting Fees and Services.**Fees Paid to Independent Registered Public Accounting Firm**

The following table presents fees billed or expected to be billed for professional services rendered by Samil PricewaterhouseCoopers and its affiliates for the years ended December 31, 2016 and 2015.

	Year Ended December 31	
	2016	2015
	(in millions)	
Audit fees	\$ 1.2	\$ 1.6
Audit Related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	<u>\$ 1.2</u>	<u>\$ 1.6</u>

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 Committee at its next scheduled meeting. The Audit Committee followed these guidelines in approving all services rendered by Samil PricewaterhouseCoopers and its affiliates.

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 the Original 10-K Filing.

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

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Second Amended Chapter 11 Plan of Reorganization Proposed by the Official Committee of Unsecured Creditors of MagnaChip Semiconductor Finance Company, et al., dated as of September 24, 2009 (incorporated by reference to Exhibit 2.1 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
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	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).
3.4	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)).
3.5	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).
4.1	Rights Agreement, dated as of March 5, 2015, between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, which includes as Exhibits thereto the Form of Certificate of Designation, the Form of Right Certificate and the Summary of Terms attached thereto as Exhibits A, B and C, respectively (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on March 6, 2015).
4.1-1	Amendment No. 1 dated as of March 2, 2016, to the Rights Agreement between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on March 2, 2016).
4.1-2	Amendment No. 2 dated as of September 2, 2016, to the Rights Agreement between MagnaChip Semiconductor Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent, as previously amended by the Amendment No.1 to the Rights Agreement, dated as of March 2, 2016 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 2, 2016).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
4.2	Registration Rights Agreement, dated as of November 9, 2009, by and among MagnaChip Semiconductor LLC and each of the securityholders named therein (incorporated by reference to Exhibit 4.1 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
4.3	Indenture, dated as of July 18, 2013, between MagnaChip Semiconductor Corporation, as issuer, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on July 18, 2013).
4.4	First Supplemental Indenture, dated as of March 27, 2014, to Indenture, dated as of July 18, 2013, between MagnaChip Semiconductor Corporation, as issuer, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on June 25, 2014).
4.5	Form of 6.625% Senior Notes due 2021 and notation of guarantee (included in Exhibit 4.2)
4.6 [^]	Indenture, dated as of January 17, 2017, among MagnaChip Semiconductor S.A., as issuer, MagnaChip Semiconductor Corporation, as guarantor, and U.S. Bank National Association, as trustee
4.7 [^]	Form of 5.00% Exchangeable Senior Note due 2021 and note guarantee (included in Exhibit 4.6)
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(1)	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.3 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.3	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.4 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.4(1)	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.5 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.5	First Amendment to the General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.6 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.6(1)	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.7(1)	Amended & Restated License Agreement (TrenchDMOS), dated as of September 19, 2007, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.8(1)	Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.9(1)	Amendment to the Technology License Agreement, dated as of October 16, 2006, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.10(1)	ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.11(1)	Technology License Agreement, dated as of October 5, 1995, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited) (incorporated by reference to Exhibit 10.12 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.12(1)	Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.13(1)	Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.14	Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.15(1)	Design Migration Agreement, dated as of May 1, 2007, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (incorporated by reference to Exhibit 10.16 to Amendment No. 2 to MagnaChip Semiconductor S.A.'s and MagnaChip Semiconductor Finance Company's Registration Statement on Form S-4 (Registration No. 333-168516) filed on October 14, 2010).
10.16	Basic Contract on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works Co., Ltd. (English translation) (incorporated by reference to Exhibit 10.17 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.17	Amendment to Basic Contract on Joint Development and Grant of License, dated as of May 18, 2016, by and between MagnaChip Semiconductor, Ltd. and Silicon Works Co., Ltd. (English translation) (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on August 5, 2016).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.18	Master Service Agreement, dated as of December 27, 2000 by and between Sharp Corporation and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hyundai Electronics Japan Co., Ltd) (English translation) (incorporated by reference to Exhibit 10.18 to our Amendment No. 1 to Registration Statement on Form S-1 filed on April 20, 2010 (Registration No. 333-165467)).
10.19*	MagnaChip Semiconductor LLC 2009 Common Unit Plan (incorporated by reference to Exhibit 10.20 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.20*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (Non-U.S. Participants) (incorporated by reference to Exhibit 10.21 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.21*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.22 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.22*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Restricted Unit Agreement (Non-U.S. Participants). Incorporated by reference to Exhibit 10.23 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467).
10.23*	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Restricted Unit Agreement (U.S. Participants) (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.24*	MagnaChip Semiconductor Corporation 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.25 to our Amendment No 9 to the Registration Statement on Form S-1 filed on February 18, 2011 (Registration No. 333-165467)).
10.25*	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)).
10.26*	Advisory Services and Separation Agreement, dated April 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang (incorporated by reference to Exhibit 10.28-1 to our Annual Report on Form 10-K filed on May 28, 2015).
10.27*	Advisory Services and Separation Agreement, effective May 28, 2015, by and between MagnaChip Semiconductor, Inc. and Brent Rowe (incorporated by reference to Exhibit 10.29-1 to our Annual Report on Form 10-K filed on May 28, 2015).
10.28*	Separation Agreement, effective June 30, 2015, by and between MagnaChip Semiconductor, Ltd. (Korea) and Heung Kyu Kim (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on August 7, 2015).
10.29*	Offer Letter, dated as of June 20, 2007, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Jong Lee (incorporated by reference to Exhibit 10.42 to our Registration Statement on Form S-1 filed on March 15, 2010 (Registration No. 333-165467)).
10.29-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Tae Jong Lee (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.30*	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)).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.31*	Offer Letter, dated as of March 8, 2014, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jonathan W. Kim (incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on February 12, 2015).
10.31-1*	Severance Agreement, dated November 3, 2015, from MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor Corporation to Jonathan W. Kim (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 6, 2015).
10.32*	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).
10.32-1*	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).
10.32-2*	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).
10.33*	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).
10.33-1*	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).
10.34*	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).
10.34-1*	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).
10.35*	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).
10.36*	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)).
10.37*	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)).
10.38*	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)).
10.39*	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)).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.40*	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)).
10.41*	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)).
10.42*	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).
10.43	Settlement Agreement, dated as of May 26, 2016, by and among MagnaChip Semiconductor Corporation, Engaged Capital, LLC, Engaged Capital Master Feeder I, LP, Engaged Capital Master Feeder II, LP, Engaged Capital I, LP, Engaged Capital I Offshore, Ltd., Engaged Capital II, LP, Engaged Capital II Offshore Ltd., Engaged Capital Holdings, LLC and Glenn W. Welling (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 27, 2016).
12.1 [^]	Statement Regarding Computation of Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K filed on February 12, 2015)
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
31.3 [#]	Certification of Chief Executive Officer required by Rule 13(a)-14(a), as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
31.4 [#]	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 [^]	XBRL Instance Document
101.SCH [^]	XBRL Taxonomy Extension Schema Document
101.CAL [^]	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [^]	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB [^]	XBRL Taxonomy Extension Label Linkbase Document
101.PRE [^]	XBRL Taxonomy Extension Presentation Linkbase Document

Footnotes:

- (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
- ^ Previously filed with the Original 10-K Filing
- # Filed herewith
- † Previously furnished with the Original 10-K Filing

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: May 1, 2017

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