

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

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

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

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

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

As of April 30, 2024, the registrant had 38,267,810 shares of common stock outstanding.

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
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PART I—FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements (Unaudited)

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2024	December 31, 2023
(In thousands of U.S. dollars, except share data)		
Assets		
Current assets		
Cash and cash equivalents	\$ 171,602	\$ 158,092
Accounts receivable, net	30,288	32,641
Inventories, net	31,479	32,733
Other receivables	5,041	4,295
Prepaid expenses	10,255	7,390
Hedge collateral (Note 6)	1,000	1,000
Other current assets (Note 16)	8,550	9,283
Total current assets	258,215	245,434
Property, plant and equipment, net	92,868	100,122
Operating lease right-of-use assets	4,538	4,639
Intangible assets, net	1,391	1,537
Long-term prepaid expenses	9,297	5,736
Deferred income taxes	47,669	50,836
Other non-current assets	12,186	12,187
Total assets	<u>\$ 426,164</u>	<u>\$ 420,491</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 24,619	\$ 24,443
Other accounts payable	5,650	5,292
Accrued expenses (Note 5)	7,951	10,457
Accrued income taxes	1,622	1,496
Operating lease liabilities	1,884	1,914
Other current liabilities	3,158	3,286
Total current liabilities	44,884	46,888
Long-term borrowing	29,700	—
Accrued severance benefits, net	15,503	16,020
Non-current operating lease liabilities	2,808	2,897
Other non-current liabilities	11,384	10,088
Total liabilities	<u>104,279</u>	<u>75,893</u>
Commitments and contingencies (Note 16)		
Stockholders' equity		
Common stock, \$0.01 par value, 150,000,000 shares authorized, 57,008,573 shares issued and 38,263,642 outstanding at March 31, 2024 and 56,971,394 shares issued and 38,852,742 outstanding at December 31, 2023	569	569
Additional paid-in capital	274,156	273,256
Retained earnings	283,467	298,884
Treasury stock, 18,744,931 shares at March 31, 2024 and 18,118,652 shares at December 31, 2023, respectively	(217,607)	(213,454)
Accumulated other comprehensive loss	(18,700)	(14,657)
Total stockholders' equity	<u>321,885</u>	<u>344,598</u>
Total liabilities and stockholders' equity	<u>\$ 426,164</u>	<u>\$ 420,491</u>

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
(In thousands of U.S. dollars, except share data)		
Revenues:		
Net sales – standard products business	\$ 45,541	\$ 51,514
Net sales – transitional Fab 3 foundry services	3,526	5,491
Total revenues	<u>49,067</u>	<u>57,005</u>
Cost of sales:		
Cost of sales – standard products business	35,888	37,312
Cost of sales – transitional Fab 3 foundry services	4,211	7,599
Total cost of sales	<u>40,099</u>	<u>44,911</u>
Gross profit	8,968	12,094
Operating expenses:		
Selling, general and administrative expenses	11,264	12,165
Research and development expenses	11,163	13,298
Early termination charges	—	8,449
Total operating expenses	<u>22,427</u>	<u>33,912</u>
Operating loss	(13,459)	(21,818)
Interest income	2,213	2,842
Interest expense	(238)	(256)
Foreign currency loss, net	(5,001)	(3,430)
Other income (expense), net	44	(35)
Loss before income tax expense	(16,441)	(22,697)
Income tax benefit	(1,024)	(1,227)
Net loss	<u>\$ (15,417)</u>	<u>\$ (21,470)</u>
Basic loss per common share—	\$ (0.40)	\$ (0.49)
Diluted loss per common share—	\$ (0.40)	\$ (0.49)
Weighted average number of shares—		
Basic	38,544,781	43,390,832
Diluted	38,544,781	43,390,832

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands of U.S. dollars)	
Net loss	\$ (15,417)	\$ (21,470)
Other comprehensive loss		
Foreign currency translation adjustments	(3,497)	(1,908)
Derivative adjustments		
Fair valuation of derivatives	(605)	(1,135)
Reclassification adjustment for loss on derivatives included in net loss	59	603
Total other comprehensive loss	(4,043)	(2,440)
Total comprehensive loss	\$ (19,460)	\$ (23,910)

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

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

(In thousands of U.S. dollars, except share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Three Months Ended March 31, 2024:							
Balance at December 31, 2023	38,852,742	\$ 569	\$273,256	\$298,884	\$(213,454)	\$ (14,657)	\$344,598
Stock-based compensation	—	—	900	—	—	—	900
Settlement of restricted stock units	37,179	0	(0)	—	—	—	—
Acquisition of treasury stock	(626,279)	—	—	—	(4,153)	—	(4,153)
Other comprehensive loss, net	—	—	—	—	—	(4,043)	(4,043)
Net loss	—	—	—	(15,417)	—	—	(15,417)
Balance at March 31, 2024	<u>38,263,642</u>	<u>\$ 569</u>	<u>\$274,156</u>	<u>\$283,467</u>	<u>\$(217,607)</u>	<u>\$ (18,700)</u>	<u>\$321,885</u>
Three Months Ended March 31, 2023:							
Balance at December 31, 2022	43,824,575	\$ 564	\$266,058	\$335,506	\$(161,422)	\$ (12,553)	\$428,153
Stock-based compensation	—	—	1,120	—	—	—	1,120
Exercise of stock options	1,400	0	9	—	—	—	9
Settlement of restricted stock units	3,333	0	(0)	—	—	—	—
Acquisition of treasury stock	(1,239,993)	—	—	—	(12,019)	—	(12,019)
Other comprehensive loss, net	—	—	—	—	—	(2,440)	(2,440)
Net loss	—	—	—	(21,470)	—	—	(21,470)
Balance at March 31, 2023	<u>42,589,315</u>	<u>\$ 564</u>	<u>\$267,187</u>	<u>\$314,036</u>	<u>\$(173,441)</u>	<u>\$ (14,993)</u>	<u>\$393,353</u>

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
(In thousands of U.S. dollars)		
Cash flows from operating activities		
Net loss	\$ (15,417)	\$ (21,470)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	4,099	4,357
Provision for severance benefits	1,405	2,330
Loss on foreign currency, net	10,226	9,082
Provision for inventory reserves	(947)	1,138
Stock-based compensation	900	1,120
Deferred income taxes	1,313	(4)
Other, net	263	241
Changes in operating assets and liabilities		
Accounts receivable, net	1,401	2,973
Inventories	801	1,062
Other receivables	(385)	2,376
Prepaid expenses	905	860
Other current assets	331	596
Accounts payable	563	1,904
Other accounts payable	(5,256)	(1,424)
Accrued expenses	(2,045)	7,600
Accrued income taxes	167	(2,923)
Other current liabilities	(387)	(596)
Other non-current liabilities	(624)	(169)
Payment of severance benefits	(884)	(871)
Other, net	(401)	(306)
Net cash provided by (used in) operating activities	(3,972)	7,876
Cash flows from investing activities		
Proceeds from settlement of hedge collateral	—	1,155
Payment of hedge collateral	—	(1,093)
Purchase of property, plant and equipment	(668)	(135)
Payment for intellectual property registration	(60)	(74)
Collection guarantee deposits	1,133	19
Payment of guarantee deposits	(1,874)	(3,482)
Other, net	1	—
Net cash used in investing activities	(1,468)	(3,610)
Cash flows from financing activities		
Proceeds from long-term borrowing	30,059	—
Proceeds from exercise of stock options	—	9
Acquisition of treasury stock	(4,659)	(12,264)
Repayment of financing related to water treatment facility arrangement	(121)	(126)
Repayment of principal portion of finance lease liabilities	(35)	(24)
Net cash provided by (used in) financing activities	25,244	(12,405)
Effect of exchange rates on cash and cash equivalents	(6,294)	(5,253)
Net increase (decrease) in cash and cash equivalents	13,510	(13,392)
Cash and cash equivalents at beginning of period	158,092	225,477
Cash and cash equivalents at end of period	<u>\$ 171,602</u>	<u>\$ 212,085</u>
Supplemental cash flow information		
Cash paid for income taxes	\$ 270	\$ 2,644
Non-cash investing activities		
Property, plant and equipment additions in other accounts payable	\$ 285	\$ 629
Non-cash financing activities		
Unsettled common stock repurchases	\$ —	\$ 401

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)**1. Business, Basis of Presentation and Significant Accounting Policies*****Business***

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

The Company’s standard products business consists of two business lines: one is the Mixed-Signal Solutions (“MSS”) business line, which comprises the display integrated circuit (“IC”) and power IC businesses that are fabless, and the other is the Power Analog Solutions (“PAS”) business line, which comprises the power discrete business which is an integrated device manufacturing (“IDM”) business.

Display IC products provide panel display solutions to major suppliers of large and small rigid and flexible panel displays, and a wide range of applications, including smartphones, televisions, automotive and IT applications, such as monitors, notebook PCs and tablet PCs, as well as AR/VRs. Power IC products provide power IC solutions to major television suppliers and large panel display suppliers.

The PAS business line produces power management semiconductor products, including power discrete solutions for power management in communication, consumer, computing, servers, automotive and industrial applications.

On September 1, 2020, the Company completed the sale of the Company’s Foundry Services Group business and its fabrication facility located in Cheongju, Korea, known as “Fab 4”, to SK keyfoundry Inc., a Korean company (“SK keyfoundry”). Following the consummation of the sale, the Company provided SK keyfoundry with transitional foundry services associated with its fabrication facility located in Gumi, Korea, known as “Fab 3”, at an agreed upon cost plus mark-up (the “Transitional Fab 3 Foundry Services”). The contractual obligation to provide the Transitional Fab 3 Foundry Services ended on August 31, 2023, and the Company is winding down these foundry services and planning to convert portions of the idle capacity to PAS standard products beginning around the second half of 2024. Because these foundry services during the wind-down period are still being provided to SK keyfoundry by the Company using Fab 3 based on mutually agreed terms and conditions, the Company will continue to report its revenue from these foundry services and related cost of sales within the Transitional Fab 3 Foundry Services line in its consolidated statement of operations until such wind-down is completed.

On May 30, 2023, the Company announced a plan to regroup the business lines in its standard products business, originally grouped as Display Solutions and Power Solutions business lines, into MSS and PAS business lines to better align its product strategies (the “Reorganization”). On January 10, 2024, the Company transferred the MSS business line into a newly formed Korean limited liability company named “Magnachip Mixed-Signal, Ltd.” Currently, the MSS business line is primarily operated by Magnachip Mixed-Signal, Ltd., and the PAS business line is primarily operated by Magnachip Semiconductor, Ltd., Magnachip’s already existing Korean operating company. Both companies are indirect wholly owned subsidiaries of the Company.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). These interim consolidated financial statements include normal recurring adjustments and the elimination of all intercompany accounts and transactions which are, in the opinion of management, necessary to provide a fair statement of the Company’s financial condition and results of operations for the periods presented. These interim consolidated financial statements are presented in accordance with Accounting Standards Codification (“ASC”) 270, “Interim Reporting” and, accordingly, do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements, except for the changes below. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for a full year or for any other periods.

The December 31, 2023 balance sheet data was derived from the Company's audited financial statements, but does not include all disclosures required by U.S. GAAP. The interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

There have been no material changes to the Company's significant accounting policies as of and for the three months ended March 31, 2024 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which will require an entity to provide more detailed information about its reportable segment expenses that are included within management's measurement of profit and loss and will require certain annual disclosures to be provided on an interim basis. The amendments in this ASU are effective for the Company in 2024 for annual reporting and in 2025 for interim reporting, with early adoption permitted beginning in 2024, and is required to be applied using the full retrospective method of transition. The Company is currently evaluating the impact of this accounting standard update on the Company's segment disclosures.

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

2. Inventories

Inventories as of March 31, 2024 and December 31, 2023 consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Finished goods	\$ 7,268	\$ 8,432
Semi-finished goods and work-in-process	28,379	29,339
Raw materials	4,579	5,543
Materials in-transit	200	18
Less: inventory reserve	(8,947)	(10,599)
Inventories, net	<u>\$ 31,479</u>	<u>\$ 32,733</u>

Changes in inventory reserve for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended	
	March 31, 2024	March 31, 2023
Beginning balance	\$(10,599)	\$(14,677)
Change in reserve		
Inventory reserve charged to costs of sales	(1,550)	(2,584)
Sale of previously reserved inventory	2,661	1,476
	1,111	(1,108)
Write off	266	415
Translation adjustments	275	429
Ending balance	<u>\$ (8,947)</u>	<u>\$ (14,941)</u>

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

3. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2024 and December 31, 2023 are comprised of the following (in thousands):

	March 31, 2024	December 31, 2023
Buildings and related structures	\$ 23,487	\$ 24,532
Machinery and equipment	133,844	139,710
Finance lease right-of-use assets	585	902
Others	34,373	35,471
	<u>192,289</u>	<u>200,615</u>
Less: accumulated depreciation	(113,829)	(115,889)
Land	12,265	12,811
Construction in progress	2,143	2,585
Property, plant and equipment, net	<u>\$ 92,868</u>	<u>\$ 100,122</u>

Aggregate depreciation expenses totaled \$3,957 thousand and \$4,193 thousand for the three months ended March 31, 2024 and 2023, respectively.

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company ("MSK") and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the "Loan Agreement") with Korea Development Bank ("KDB"). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the "Pledge Agreement") with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea in favor of KDB. See "Note 9. Long-Term Borrowing" to these consolidated financial statements below for more information regarding the Loan Agreement.

4. Intangible Assets

Intangible assets as of March 31, 2024 and December 31, 2023 are comprised of the following (in thousands):

	March 31, 2024		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	\$8,817	\$ (7,426)	\$1,391
Intangible assets	<u>\$8,817</u>	<u>\$ (7,426)</u>	<u>\$1,391</u>
	December 31, 2023		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	\$9,150	\$ (7,613)	\$1,537
Intangible assets	<u>\$9,150</u>	<u>\$ (7,613)</u>	<u>\$1,537</u>

Aggregate amortization expenses for intangible assets totaled \$142 thousand and \$164 thousand for the three months ended March 31, 2024 and 2023, respectively.

5. Accrued Expenses

Accrued expenses as of March 31, 2024 and December 31, 2023 are comprised of the following (in thousands):

	March 31, 2024	December 31, 2023
Payroll, benefits and related taxes, excluding severance benefits	\$ 5,259	\$ 5,947
Withholding tax attributable to intercompany interest income	355	1,671
Outside service fees	1,451	1,953
Others	886	886
Accrued expenses	<u>\$ 7,951</u>	<u>\$ 10,457</u>

6. Derivative Financial Instruments

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

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

Date of transaction	Total notional amount	Month of settlement
April 03, 2023	\$ 9,000	April 2024 to June 2024
August 09, 2023	\$ 18,000	April 2024 to September 2024

Details of the zero cost collar contracts as of December 31, 2023 are as follows (in thousands):

Date of transaction	Total notional amount	Month of settlement
April 03, 2023	\$ 18,000	January 2024 to June 2024
August 09, 2023	\$ 27,000	January 2024 to September 2024

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

The fair values of the Company's outstanding zero cost collar contracts recorded as assets and liabilities as of March 31, 2024 and December 31, 2023 are as follows (in thousands):

Derivatives designated as hedging instruments:		March 31, 2024	December 31, 2023
Asset Derivatives:			
Zero cost collars	Other current assets	\$ —	\$ 152
Liability Derivatives:			
Zero cost collars	Other current liabilities	\$ 397	\$ 1

Offsetting of derivative liabilities as of March 31, 2024 is as follows (in thousands):

As of March 31, 2024	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheets	Net amounts of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount
				Financial instruments	Cash collateral pledged	
Liability Derivatives:						
Zero cost collars	\$ 397	\$ —	\$ 397	\$ —	\$ —	\$ 397

Offsetting of derivative assets and liabilities as of December 31, 2023 is as follows (in thousands):

As of December 31, 2023	Gross amounts of recognized assets/liabilities	Gross amounts offset in the balance sheets	Net amounts of assets/liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount
				Financial instruments	Cash collateral pledged	
Asset Derivatives:						
Zero cost collars	\$ 152	\$ —	\$ 152	\$ —	\$ —	\$ 152
Liability Derivatives:						
Zero cost collars	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ 1

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

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the three months ended March 31, 2024 and 2023 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCI on Derivatives		Location/Amount of Loss Reclassified from AOCI Into Statement of Operations	Location/Amount of Gain (Loss) Recognized in Statement of Operations on Derivatives				
	Three Months Ended March 31,			Three Months Ended March 31,				
	2024	2023		2024	2023			
Zero cost collars	\$ (605)	\$ (1,135)	Net sales	\$ (59)	\$ (603)	Other income, net	\$ 25	\$ (54)
	\$ (605)	\$ (1,135)		\$ (59)	\$ (603)		\$ 25	\$ (54)

As of March 31, 2024, the amount expected to be reclassified from accumulated other comprehensive income into earnings within the next 12 months is \$145 thousand.

The Company has set aside a cash deposit to the counterparty, Standard Chartered Bank Korea Limited ("SC"), as required for the zero cost collar contracts. This cash deposit is recorded as hedge collateral on the consolidated balance sheets. Cash deposits as of March 31, 2024 and December 31, 2023 are as follows (in thousands):

Counterparty	March 31, 2024	December 31, 2023
SC	\$ 1,000	\$ 1,000
Total	\$ 1,000	\$ 1,000

The Company is required to deposit additional cash collateral with Nomura Financial Investment (Korea) Co., Ltd. ("NFIK") and SC for any exposure in excess of \$500 thousand, respectively, but no such excess exposure existed as of March 31, 2024 and December 31, 2023.

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

7. Fair Value Measurements

Fair Value of Financial Instruments

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

	<u>Carrying Value March 31, 2024</u>	<u>Fair Value Measurement March 31, 2024</u>	<u>Quoted Prices in Active Markets for Identical Liability (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Liabilities:					
Derivative liabilities (other current liabilities)	\$ 397	\$ 397	—	\$ 397	—

As of December 31, 2023, the following table represents the Company's assets and liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value December 31, 2023</u>	<u>Fair Value Measurement December 31, 2023</u>	<u>Quoted Prices in Active Markets for Identical Liability (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:					
Derivative assets (other current assets)	\$ 152	\$ 152	—	\$ 152	—
Liabilities:					
Derivative liabilities (other current liabilities)	\$ 1	\$ 1	—	\$ 1	—

Items not reflected in the table above include cash equivalents, accounts receivable, other receivables, accounts payable, and other accounts payable, fair value of which approximate carrying values due to the short-term nature of these instruments. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs.

8. Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company's Korean subsidiaries. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of March 31, 2024, 96% of all employees of the Company were eligible for severance benefits.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Beginning balance	\$ 45,932	\$ 48,496
Provisions	1,405	2,330
Severance payments	(884)	(871)
Translation adjustments	(1,969)	(1,381)
	44,484	48,574
Less: Cumulative contributions to severance insurance deposit accounts	(28,954)	(24,747)
The National Pension Fund	(27)	(40)
Group severance insurance plan	—	(179)
Accrued severance benefits, net	\$ 15,503	\$ 23,608

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

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

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

	Severance benefit
Remainder of 2024	\$ 306
2025	\$ 324
2026	\$ 543
2027	\$ 386
2028	\$ 3,125
2029	\$ 3,509
2030 — 2034	\$ 16,631

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

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

9. Long-Term Borrowing

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

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

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

As of March 31, 2024, approximately \$29,700 thousand aggregate principal amount of the Term Loan was outstanding.

10. Foreign Currency Loss, Net

Net foreign currency gain or loss includes non-cash translation gain or loss associated with intercompany balances. A substantial portion of the Company's net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to MSK, one of the Company's Korean subsidiaries. The loans are denominated in U.S. dollars and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of March 31, 2024 and December 31, 2023, the outstanding intercompany loan balances including accrued interest between MSK and the Dutch subsidiary were \$258,291 thousand and \$285,136 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,346.8:1 and 1,289.4:1 using the first base rate as of March 31, 2024 and December 31, 2023, respectively, as quoted by the KEB Hana Bank.

11. Income Taxes

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

For the three months ended March 31, 2024, the Company recorded an income tax benefit of \$1,024 thousand, primarily related to one of its operating entities in Korea based on the estimated taxable loss for the respective period.

For the three months ended March 31, 2023, the Company recorded an income tax benefit of \$1,227 thousand, primarily related to its then primary operating entity in Korea based on the estimated taxable loss for the respective period.

12. Geographic and Other Information

The Company operates within the operating segment, standard products business, and also reports Transitional Fab 3 Foundry Services revenue.

In previous reporting periods, the Company categorized revenues from two business lines in its standard products business: the Display Solutions business line and the Power Solutions business line. As part of the Reorganization, the Company regrouped its standard products business into the Mixed-Signal Solutions business line and the Power Analog Solutions business line. Accordingly, effective as of the first quarter of fiscal 2024, the Company categorizes its standard product business revenue by those two regrouped business lines. See "Note 1. Business, Basis of Presentation and Significant Accounting Policies — Business" for additional information regarding the Reorganization.

Revenues for the three months ended March 31, 2023 from its previous product categories have been reclassified in order to conform to the current period presentation as follows (in thousands):

		MSS	PAS	Total
Display Solutions	\$10,841	\$10,841	\$ —	\$10,841
Power Solutions	40,673	1,966	38,707	40,673
	<u>\$51,514</u>	<u>\$12,807</u>	<u>\$38,707</u>	<u>\$51,514</u>

The following sets forth information relating to the operating segment, standard products business, as well as the Transitional Fab 3 Foundry Services (in thousands):

	Three Months Ended	
	March 31, 2024	March 31, 2023
Revenues		
Standard products business		
Mixed-Signal Solutions	\$ 9,006	\$ 12,807
Power Analog Solutions	36,535	38,707
Total standard products business	\$ 45,541	\$ 51,514
Transitional Fab 3 foundry services	3,526	5,491
Total revenues	<u>\$ 49,067</u>	<u>\$ 57,005</u>

	Three Months Ended	
	March 31, 2024	March 31, 2023
Gross Profit		
Standard products business		
Mixed-Signal Solutions	\$ 4,019	\$ 3,868
Power Analog Solutions	5,634	10,334
Total standard products business	\$ 9,653	\$ 14,202
Transitional Fab 3 foundry services	(685)	(2,108)
Total gross profit	<u>\$ 8,968</u>	<u>\$ 12,094</u>

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Korea	\$ 18,144	\$ 16,496
Asia Pacific (other than Korea)	25,665	31,901
United States	338	1,045
Europe	1,394	2,072
Total	<u>\$ 45,541</u>	<u>\$ 51,514</u>

For the three months ended March 31, 2024 and 2023, of the Company's net sales — standard products business in Asia Pacific (other than Korea), net sales — standard products business in China and Hong Kong together represented 73.0% and 57.9%, respectively, and net sales — standard products business in Vietnam represented 5.8% and 17.8%, respectively.

Net sales from the Company's top ten largest customers in the standard products business (which does not include the Transitional Fab 3 Foundry Services) accounted for 74% and 71% for the three months ended March 31, 2024 and 2023, respectively.

For the three months ended March 31, 2024, the Company had one customer that represented 24.7% of its net sales — standard products business. For the three months ended March 31, 2023, the Company had two customers that represented 16.4% and 13.7% of its net sales — standard products business, respectively.

As of March 31, 2024, one customer of the Company's standard products business accounted for 42.1% of its accounts receivable — standard products business (which does not include the Transitional Fab 3 Foundry Services). As of December 31, 2023, three customers of the Company's standard products business accounted for 34.9%, 14.4% and 13.9% of its accounts receivable — standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively.

13. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following as of March 31, 2024 and December 31, 2023, respectively (in thousands):

	March 31, 2024	December 31, 2023
Foreign currency translation adjustments	<u>\$ (18,845)</u>	<u>\$ (15,348)</u>
Derivative adjustments	<u>145</u>	<u>691</u>
Total	<u>\$ (18,700)</u>	<u>\$ (14,657)</u>

Changes in accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

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

	Foreign currency translation adjustments	Derivative adjustments	Total
Three Months Ended March 31, 2023			
Beginning balance	<u>\$ (11,328)</u>	<u>\$ (1,225)</u>	<u>\$ (12,553)</u>
Other comprehensive loss before reclassifications	(1,908)	(1,135)	(3,043)
Amounts reclassified from accumulated other comprehensive loss	—	603	603
Net current-period other comprehensive loss	<u>(1,908)</u>	<u>(532)</u>	<u>(2,440)</u>
Ending balance	<u>\$ (13,236)</u>	<u>\$ (1,757)</u>	<u>\$ (14,993)</u>

14. Stock Repurchases

Expanded Stock Repurchase Program

On August 31, 2022, the Board of Directors authorized an expansion of the Company's previously announced stock repurchase program from \$75 million to \$87.5 million of its common stock. The Company has already repurchased shares worth \$37.5 million under the program through an accelerated stock repurchase agreement on December 21, 2021 with JPMorgan Chase Bank, National Association. The remaining \$50 million of the expanded \$87.5 million program was planned to be repurchased in the open market or through privately negotiated transactions.

From September 2022 to December 2022, the Company repurchased 1,235,650 shares of its common stock in the open market for an aggregate purchase price of \$12.5 million and a weighted average price per share of \$10.13 under the stock repurchase program.

During the first half of 2023, the Company repurchased 3,705,443 shares of its common stock in the open market for an aggregate purchase price of \$37.4 million and a weighted average price per share of \$10.10 under the expanded stock repurchase program. As of the end of June 2023, the Company had completed the repurchase of its common stock under its expanded stock repurchase program.

New Stock Repurchase Program

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

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

During the first quarter of 2024, the Company repurchased 626,279 shares of its common stock in the open market for an aggregate purchase price of \$4.1 million and a weighted average price per share of \$6.57 under the new stock repurchase program.

15. Loss Per Share

The following table illustrates the computation of basic and diluted loss per common share for the three months ended March 31, 2024 and 2023:

	Three Months Ended	
	March 31, 2024	March 31, 2023
(In thousands of U.S. dollars, except share data)		
Basic Loss per Share		
Net loss	\$ (15,417)	\$ (21,470)
Basic weighted average common stock outstanding	38,544,781	43,390,832
Basic loss per share	\$ (0.40)	\$ (0.49)
Diluted Loss per Share		
Net loss	\$ (15,417)	\$ (21,470)
Basic weighted average common stock outstanding	38,544,781	43,390,832
Net effect of dilutive equity awards	—	—
Diluted weighted average common stock outstanding	38,544,781	43,390,832
Diluted loss per share	\$ (0.40)	\$ (0.49)

Diluted loss per share adjusts basic loss per share for the potentially dilutive impact of stock options and restricted stock units. As the Company has reported loss for the three months ended March 31, 2024 and 2023, all potentially dilutive securities are antidilutive and accordingly not considered, therefore basic net loss per share equals diluted net loss per share.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Options	757,858	1,116,158
Restricted Stock Units	922,307	1,434,827

16. Commitments and Contingencies***Advances to Suppliers***

The Company, from time to time, may make advances in form of prepayments or deposits to suppliers, including external foundries, to meet its planned production. The Company recorded advances of \$3,030 thousand and \$3,883 thousand as other current assets as of March 31, 2024 and December 31, 2023, respectively.

17. Subsequent Events***Derivative contracts***

In April 2024, the Company and NFIK entered into derivative contracts of zero cost collars for the period from October 2024 to March 2025. The total notional amounts are \$18,000 thousand.

FORWARD LOOKING STATEMENTS

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

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in this section, in "Part II: Item 1A. Risk Factors" herein and in "Part I: Item 1A. Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended December 31, 2023 filed on March 8, 2024 ("2023 Form 10-K").

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

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

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

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

Overview

We are a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communication, Internet of Things ("IoT"), consumer, computing, industrial and automotive applications. We have a proven record with more than 40 years of operating history, a portfolio of approximately 1,100 registered patents and pending applications and extensive engineering and manufacturing process expertise.

On May 30, 2023, we announced a plan to regroup the business lines in our standard products business, originally grouped as Display Solutions and Power Solutions business lines, into the following two business lines to better align our product strategies (the "Reorganization"):

- (i) Our display integrated circuit ("IC") and power IC businesses, which are fabless, became the Mixed-Signal Solutions ("MSS") business line; and
- (ii) Our power discrete business, which is an integrated device manufacturing ("IDM") business, became the Power Analog Solutions ("PAS") business line.

On January 10, 2024, we transferred the MSS business line into a newly formed Korean limited liability company named "Magnachip Mixed-Signal, Ltd." Following the Reorganization, our MSS business line is primarily operated by Magnachip Mixed-Signal, Ltd., and our PAS business line is primarily operated by Magnachip Semiconductor, Ltd., our already existing Korean operating entity. Both entities are indirect wholly owned subsidiaries of the Company.

Our MSS business line consist of display IC and power IC businesses. Our display IC products provide flat panel display solutions to major suppliers of large and small flat panel displays. These products include source and gate drivers and timing controllers that cover flat panel displays used in an array of applications, applied with liquid crystal display ("LCD"), organic light emitting diodes ("OLED") or micro light emitting diode ("Micro LED"). Since 2007, we have designed and manufactured OLED display driver IC products. Our current portfolio of OLED solutions address various resolutions, ranging from HD (High Definition) to UHD (Ultra High Definition), for a wide range of applications, including smartphones, televisions, automotive and IT applications, such as monitors, notebook PCs and tablet PCs, as well as AR/VRs. Our power IC products provide power IC solutions to major television suppliers and large panel display suppliers. These products include AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits ("PMICs") and level shifter for a range of devices, including televisions, wearable devices, notebooks, tablet PCs and others consumer electronics, as well as automotive applications.

Our PAS business line produces power management semiconductor products, including power discrete solutions for power management in communication, consumer, computing, servers, automotive and industrial applications. These products include metal oxide semiconductor field effect transistors ("MOSFETs") and insulated-gate bipolar transistors ("IGBTs") for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop PCs, notebook PCs, tablet PCs, other consumer electronics, as well as automotive and industrial applications such as power suppliers, e-bikes, solar inverters, LED lighting and motor drives.

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

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

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

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

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

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

Our standard products business requires investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. Many of these processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment for those products, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. In addition, we are less likely to experience significant industry overcapacity, which can cause product prices to decline significantly. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. In addition, we outsource manufacturing of those products which do require advanced technology and 12-inch and 8-inch wafer capacity, such as OLED display driver IC and power IC products. We believe this balanced capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

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

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

Recent Developments

Loan Agreement

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

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

New Stock Repurchase Program

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

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

During the first quarter of 2024, we repurchased 626,279 shares of our common stock in the open market for an aggregate purchase price of \$4.1 million and a weighted average price per share of \$6.57 under the new stock repurchase program.

Macroeconomic Industry Conditions

The semiconductor industry continues to face a number of macroeconomic challenges, including rising inflation, increased interest rates, supply chain disruptions, inventory corrections, shifting customer and end-user demand, fluctuations in currency rates, and geopolitical tensions, including without limitation ongoing conflicts involving Russia and Ukraine and Israel and Hamas including sustained military action and conflict in the Red Sea and recent escalations between Iran and Israel, any one of and all of which may cause volatility and unpredictability in the market for semiconductor products and end-user demand. The length and severity of these macroeconomic events and their overall impact on our business, results of operations and financial condition remain uncertain.

Developments in Export Control Regulations

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

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

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

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

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

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

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

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

We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to net income (loss) or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of liquidity. A reconciliation of net loss to Adjusted EBITDA is as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(Dollars in millions)	
Net Loss	\$ (15.4)	\$ (21.5)
Interest income	(2.2)	(2.8)
Interest expense	0.2	0.3
Income tax benefit	(1.0)	(1.2)
Depreciation and amortization	4.1	4.4
EBITDA	(14.3)	(20.9)
Adjustments:		
Equity-based compensation expense(a)	0.9	1.1
Foreign currency loss, net(b)	5.0	3.4
Derivative valuation loss, net(c)	(0.0)	0.1
Early termination charges(d)	—	8.4
Adjusted EBITDA	\$ (8.4)	\$ (7.9)

- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.
- (b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (d) For the three months ended March 31, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the voluntary resignation program (the "Program") that we offered to certain employees during the first quarter of 2023. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.

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

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

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

We present Adjusted Operating Income (Loss) as supplemental measures of our performance. We prepare Adjusted Operating Income (Loss) by adjusting operating income (loss) to eliminate the impact of equity-based compensation expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Operating Income (Loss) is useful to investors to provide a supplemental way to understand our underlying operating performance and allows investors to monitor and understand changes in our ability to generate income (loss) from ongoing business operations.

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

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(Dollars in millions)	
Operating loss	\$ (13.5)	\$ (21.8)
Adjustments:		
Equity-based compensation expense(a)	0.9	1.1
Early termination charges(b)	—	8.4
Adjusted Operating Loss	<u>\$ (12.6)</u>	<u>\$ (12.2)</u>

- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.
- (b) For the three months ended March 31, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the Program that we offered to certain employees during the first quarter of 2023. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.

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

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

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

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(Dollars in millions, except per share data)	
Net Loss	\$ (15.4)	\$ (21.5)
Adjustments:		
Equity-based compensation expense(a)	0.9	1.1
Foreign currency loss, net(b)	5.0	3.4
Derivative valuation loss (gain), net(c)	(0.0)	0.1
Early termination charges(d)	—	8.4
Income tax effect on non-GAAP adjustments(e)	(1.3)	(1.9)
Adjusted Net Loss	<u>\$ (10.9)</u>	<u>\$ (10.4)</u>
Reported loss per share—basic	\$ (0.40)	\$ (0.49)
Reported loss per share—diluted	\$ (0.40)	\$ (0.49)
Weighted average number of shares—basic	38,544,781	43,390,832
Weighted average number of shares—diluted	38,544,781	43,390,832
Adjusted loss per share—basic	\$ (0.28)	\$ (0.24)
Adjusted loss per share—diluted	\$ (0.28)	\$ (0.24)
Weighted average number of shares—basic	38,544,781	43,390,832
Weighted average number of shares—diluted	38,544,781	43,390,832

- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.

- (b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (d) For the three months ended March 31, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the Program that we offered to certain employees during the first quarter of 2023. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.
- (e) For the three months ended March 31, 2024 and 2023, income tax effect on non-GAAP adjustments were calculated by calculating the tax expense of each jurisdiction with or without the non-GAAP adjustments. For the three months ended March 31, 2024, income tax effect on non-GAAP adjustments related to our Korean subsidiaries and the U.S. parent entity were negative \$1.1 million and negative \$0.3 million, respectively. For the three months ended March 31, 2023, income tax effect on non-GAAP adjustments related to our Korean subsidiary and the U.S. parent entity were negative \$1.2 million and negative \$0.7 million, respectively.

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

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

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

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

Factors Affecting Our Results of Operations

Net Sales. We derive substantially all of our sales (net of sales returns and allowances) from our standard products business. We outsource manufacturing of mobile OLED products to external 12-inch foundries. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our fabrication facility in Korea for fulfillment. We have strategically located our sales offices near concentrations of major customers. Our sales offices are located in Korea, Japan, Taiwan and Greater China. Our network of authorized agents and distributors is in the United States, Europe and the Asia Pacific region.

We recognize revenue when a customer obtains control of the product, which is generally upon product shipment, delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the three months ended March 31, 2024 and 2023, we sold products to 129 and 120 customers, respectively, and our net sales to our ten largest customers represented 74% and 71% of our net sales—standard products business, respectively.

We are currently in the process of winding down the Transitional Fab 3 Foundry Services, which represented 7.2% and 9.6% of our total revenues for the three months ended March 31, 2024 and 2023, respectively.

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

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

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

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of March 31, 2024, 96% of our employees were eligible for severance benefits.

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

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

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

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering

charges related to product design. Additionally, we develop base line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses of our display IC business are material and design-related costs for OLED display driver IC product development involving 28-nanometer or finer processes. The majority of research and development expenses of our power IC business are material and design-related costs for power IC products. Power IC uses standard BCD process technologies which can be sourced from multiple foundries. The majority of research and development expenses of our power discrete business are certain equipment, material and design-related costs for power discrete products.

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and cost of sales and greater than the majority of our operating expenses have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars converted from our non-U.S. revenues and expenses based on monthly average exchange rates, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the U.S. dollar as a substantial portion of non-cash translation gain or loss is associated with the intercompany long-term loans to one of our Korean subsidiaries, Magnachip Semiconductor, Ltd. or MSK, which is denominated in U.S. dollars. As of March 31, 2024, the outstanding intercompany loan balance including accrued interest between MSK and our Dutch subsidiary was \$258.3 million. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

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

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

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

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

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

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

Results of Operations – Comparison of Three Months Ended March 31, 2024 and 2023

In previous reporting periods, we categorized revenues from two business lines in our standard products business: the Display Solutions business line and the Power Solutions business line. As part of the Reorganization, we regrouped our standard products business into the Mixed-Signal Solutions business line, which comprises the display IC and power IC businesses, and the Power Analog Solutions business line, which comprises the power discrete business. Accordingly, effective as of the first quarter of fiscal 2024, we categorize our standard product business revenue by those two regrouped business lines. Certain reclassifications have been made to the prior period revenue presentation to conform to the current period revenue presentation.

The following table sets forth consolidated results of operations for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
Revenues					
Net sales – standard products business	\$ 45.5	92.8%	\$ 51.5	90.4%	\$ (6.0)
Net sales – transitional Fab 3 foundry services	3.5	7.2	5.5	9.6	(2.0)
Total revenues	49.1	100.0	57.0	100.0	(7.9)
Cost of sales					
Cost of sales – standard products business	35.9	73.1	37.3	65.5	(1.4)
Cost of sales – transitional Fab 3 foundry services	4.2	8.6	7.6	13.3	(3.4)
Total cost of sales	40.1	81.7	44.9	78.8	(4.8)
Gross profit	9.0	18.3	12.1	21.2	(3.1)
Selling, general and administrative expenses	11.3	23.0	12.2	21.3	(0.9)
Research and development expenses	11.2	22.8	13.3	23.3	(2.1)
Early termination charges	—	—	8.4	14.8	(8.4)
Operating loss	(13.5)	(27.4)	(21.8)	(38.3)	8.4
Interest income	2.2	4.5	2.8	5.0	(0.6)
Interest expense	(0.2)	(0.5)	(0.3)	(0.4)	0.0
Foreign currency loss, net	(5.0)	(10.2)	(3.4)	(6.0)	(1.6)
Others, net	0.0	0.1	(0.0)	(0.1)	0.1
	(3.0)	(6.1)	(0.9)	(1.5)	(2.1)
Loss before income tax benefit	(16.4)	(33.5)	(22.7)	(39.8)	6.3
Income tax benefit	(1.0)	(2.1)	(1.2)	(2.2)	0.2
Net loss	\$ (15.4)	(31.4)	\$ (21.5)	(37.7)	\$ 6.1

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
Revenues					
Net sales – standard products business					
Mixed-Signal Solutions	\$ 9.0	18.4%	\$ 12.8	22.5%	\$ (3.8)
Power Analog Solutions	36.5	74.5	38.7	67.9	(2.2)
Total standard products business	45.5	92.8	51.5	90.4	(6.0)
Net sales – transitional Fab 3 foundry services	3.5	7.2	5.5	9.6	(2.0)
Total cost of sales	\$ 49.1	100.0%	\$ 57.0	100.0%	\$ (7.9)

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
(Dollars in millions)					
Gross Profit					
Gross profit – standard products business					
Mixed-Signal Solutions	\$ 4.0	44.6%	\$ 3.9	30.2%	\$ 0.2
Power Analog Solutions	5.6	15.4	10.3	26.7	(4.7)
Total standard products business	\$ 9.7	21.2%	\$ 14.2	27.6%	\$ (4.5)
Gross profit – transitional Fab 3 foundry services	(0.7)	(19.4)	(2.1)	(38.4)	1.4
Total gross profit	\$ 9.0	18.3%	\$ 12.1	21.2%	\$ (3.1)

Revenues

Total revenues were \$49.1 million for the three months ended March 31, 2024, a \$7.9 million, or 13.9%, decrease compared to \$57.0 million for the three months ended March 31, 2023. This decrease was primarily due to a decrease in revenue related to our standard products business as described below.

The standard products business. Net sales from our standard products business were \$45.5 million for the three months ended March 31, 2024, a \$6.0 million, or 11.6%, decrease compared to \$51.5 million for the three months ended March 31, 2023.

Net sales from our Mixed-Signal Solutions business line decreased from \$12.8 million for the three months ended March 31, 2023 to \$9.0 million for the three months ended March 31, 2024. The decrease in net sales from our Mixed-Signal Solutions business line was primarily attributable to a decrease in revenue from our mobile OLED display driver ICs stemmed from slower than expected new design-wins and lower customer demand for legacy products, and weak demand for our auto-LCD display driver ICs also had an unfavorable impact on net sales. This decrease was offset in part by a higher demand for our Power IC products, primarily for televisions.

Net sales from our Power Analog Solutions business line decreased from \$38.7 million for the three months ended March 31, 2023 to \$36.5 million for the three months ended March 31, 2024. The decrease in net sales from our Power Analog Solutions business line was attributable to lower demand for power products such as high-end MOSFETs and IGBTs in the industrial segment, especially solar inverter and LED lighting. This decrease was offset in part by a higher demand for power products such as MOSFETs in the communication segment.

The transitional Fab 3 foundry services. Net sales from the transitional Fab 3 foundry services were \$3.5 million and \$5.5 million for the three months ended March 31, 2024 and 2023, respectively.

Gross Profit

Total gross profit was \$9.0 million for the three months ended March 31, 2024 compared to \$12.1 million for the three months ended March 31, 2023, a \$3.1 million, or 25.8%, decrease. Gross profit as a percentage of net sales for the three months ended March 31, 2024 decreased to 18.3% compared to 21.2% for the three months ended March 31, 2023. The decrease in gross profit and gross profit as a percentage of net sales was primarily due to our standard products business as further described below.

The standard products business. Gross profit from our standard products business was \$9.7 million for the three months ended March 31, 2024, which represented a \$4.5 million, or 32.0%, decrease from gross profit of \$14.2 million for the three months ended March 31, 2023. Gross profit as a percentage of net sales for the three months ended March 31, 2024 decreased to 21.2% compared to 27.6% for the three months ended March 31, 2023.

Gross profit from our Mixed-Signal Solutions business line was \$4.0 million for the three months ended March 31, 2024, which represented a \$0.2 million, or 3.9%, increase from gross profit of \$3.9 million for the three months ended March 31, 2023. Gross profit as a percentage of net sales for the three months ended March 31, 2024 increased to 44.6% compared to 30.2% for the three months ended March 31, 2023. The year-over-year increase in gross profit as a percentage of net sales was primarily attributable to a reversal of certain inventory charge as such reserved inventory was subsequently sold to certain other customers.

Gross profit from our Power Analog Solutions business line was \$5.6 million for the three months ended March 31, 2024, which represented a \$4.7 million, or 45.5%, decrease from gross profit of \$10.3 million for the three months ended March 31, 2023. Gross profit as a percentage of net sales for the three months ended March 31, 2024 decreased to 15.4% compared to 26.7% for the three months ended March 31, 2023. The year-over-year decrease in gross profit as a percentage of net sales was primarily attributable to a lower utilization rate of our internal fabrication facility in Gumi and an unfavorable product mix.

Net Sales – Standard Products Business by Geographic Region

We report net sales – standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Change Amount
	Amount	% of Net Sales – standard products business	Amount	% of Net Sales – standard products business	
	(Dollars in millions)				
Korea	\$ 18.1	39.8%	\$ 16.5	32.0%	\$ 1.6
Asia Pacific (other than Korea)	25.7	56.4	31.9	62.0	(6.2)
United States	0.3	0.7	1.0	2.0	(0.7)
Europe	1.4	3.1	2.1	4.0	(0.7)
	<u>\$ 45.5</u>	<u>100.0%</u>	<u>\$ 51.5</u>	<u>100.0%</u>	<u>\$ (6.0)</u>

Net sales – standard products business in Korea increased from \$16.5 million for the three months ended March 31, 2023 to \$18.1 million for the three months ended March 31, 2024, or by \$1.6 million, or 10.0%, primarily due to a higher demand for power products such as MOSFETs, primarily for smartphone applications, which was offset in part by a lower demand for high-end MOSFETs, primary for televisions. A higher demand for our Power IC products, primarily for televisions, also had a favorable impact on net sales.

Net sales – standard products business in Asia Pacific (other than Korea) decreased from \$31.9 million in the three months ended March 31, 2023 to \$25.7 million for the three months ended March 31, 2024, or by \$6.2 million, or 19.5%, primarily due to a decrease in revenue from our mobile OLED display driver ICs stemmed from slower than expected new design-wins and lower customer demand for legacy products. The decreased demand for our power products such as IGBTs mainly for solar inverters in the industrial segment also had an unfavorable impact on net sales.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$11.3 million, or 23.0% of total revenues, for the three months ended March 31, 2024, compared to \$12.2 million, or 21.3% of total revenues, for the three months ended March 31, 2023. The decrease of \$0.9 million, or 7.4%, was primarily attributable to a decrease in employee compensation including certain incentives and benefit related accruals.

Research and Development Expenses. Research and development expenses were \$11.2 million, or 22.8% of total revenues, for the three months ended March 31, 2024, compared to \$13.3 million, or 23.3% of total revenues, for the three months ended March 31, 2023. The decrease of \$2.1 million, or 16.1%, was primarily attributable to a decrease in material costs for our 28-nanometer OLED display driver ICs based on the timing of development activities.

Early Termination Charges. For the three months ended March 31, 2023, we recorded in our consolidated statement of operations \$8.4 million of termination related charges in connection with the Program that we offered to certain employees during the first quarter of 2023.

Operating Loss

As a result of the foregoing, operating loss of \$13.5 million was recorded for the three months ended March 31, 2024 compared to operating income of \$21.8 million for the three months ended March 31, 2023. As discussed above, the decrease in operating loss of \$8.4 million resulted primarily from an \$8.4 million decrease in early termination charges, a \$2.1 million decrease in research and development expenses and a \$0.9 million decrease in selling, general and administrative expenses. This decrease in operating loss was offset in part by a \$3.1 million decrease in gross profit.

Other Income (Expense)

Interest Income. Interest income was \$2.2 million and \$2.8 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

Interest Expense. Interest expense was \$0.2 million and \$0.3 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

Foreign Currency Loss, Net. Net foreign currency loss for the three months ended March 31, 2024 was \$5.0 million compared to net foreign currency loss of \$3.4 million for the three months ended March 31, 2023. The net foreign currency loss for the three months ended March 31, 2024 and March 31, 2023 was due to the depreciation in value of the Korean won relative to the U.S. dollar during the period.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to one of our Korean subsidiaries, which are denominated in U.S. dollars, and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of March 31, 2024 and March 31, 2023, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary, Magnachip Semiconductor, Ltd., and our Dutch subsidiary, were \$258.3 million and \$301.9 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income (loss) since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

Income Tax Benefit

Income tax benefit was \$1.0 million for the three months ended March 31, 2024, which was primarily attributable to the estimated taxable loss in one of our Korean subsidiaries for the respective period.

Income tax benefit was \$1.2 million for the three months ended March 31, 2023, which was primarily attributable to the estimated taxable loss in our then primary operating entity in Korea for the respective period.

Net Loss

As a result of the foregoing, a net loss of \$15.4 million was recorded for the three months ended March 31, 2024 compared to a net loss of \$21.5 million for the three months ended March 31, 2023. As discussed above, the \$6.1 million improvement in net loss was primarily attributable to an \$8.4 million decrease in operating loss, which was offset in part by a \$1.6 million increase in net foreign currency loss and a \$0.6 million decrease in interest income.

Liquidity and Capital Resources

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

Our principal sources of liquidity are our cash, cash equivalents, cash flows from operations and financing activities. Our ability to manage cash and cash equivalents may be limited, as our primary cash flows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. From time to time, we may sell accounts receivable to third parties under factoring agreements or engage in accounts receivable discounting to facilitate the collection of cash. In addition, from time to time, we may make payments to our vendors on extended terms with their consent. As of March 31, 2024, we did not have any accounts payable on extended terms or payment deferral with our vendors.

As of June 29, 2018, our Korean subsidiary, Magnachip Semiconductor, Ltd., entered into an arrangement whereby it (i) acquired a water treatment facility from SK hynix for \$4.2 million to support our fabrication facility in Gumi, Korea, and (ii) subsequently sold the water treatment facility for \$4.2 million to a third party management company that we engaged to run the facility for a 10-year term beginning July 1, 2018. As of March 31, 2024, the outstanding obligation of this arrangement is approximately \$18.5 million for remaining service term through 2028.

On March 26, 2024, our Korean subsidiary, Magnachip Semiconductor, Ltd., executed a Standard Credit Agreement (together with its General Terms and Conditions, the "Loan Agreement") with Korea Development Bank ("KDB"). The Loan Agreement provides for a working capital term loan (the "Term Loan") of KRW 40,000,000,000 (approximately \$29.7 million based on the KRW/USD exchange rate of 1,346.8:1 as of March 31, 2024 as quoted by KEB Hana Bank). The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable.

As of March 31, 2024, cash and cash equivalents held by our Korean subsidiaries were \$154.5 million, which represents 90% of our total cash and cash equivalents on a consolidated basis. We currently believe that we will have sufficient cash reserves from cash on hand and expected cash from operations to fund our operations as well as capital expenditures for the next 12 months and the foreseeable future.

Working Capital

Our working capital balance as of March 31, 2024 was \$213.3 million compared to \$198.5 million as of December 31, 2023. The increase in working capital balance was mainly attributable to a \$13.5 million increase in cash and cash equivalents resulted mainly from \$29.7 million of Term Loan with KDB, which was funded in full to MSK on March 26, 2024. This increase in cash and cash equivalents was offset in part by a \$4.1 million of continued execution of stock repurchase program.

Cash Flows from Operating Activities

Cash outflow used in operating activities totaled \$4.0 million for the three months ended March 31, 2024, compared to \$7.9 million of cash inflow provided by operating activities for the three months ended March 31, 2023. The net operating cash outflow for the three months ended March 31, 2024 reflects our net loss of \$15.4 million, as adjusted favorably by \$17.3 million, which mainly consisted of depreciation and amortization, provision for severance benefits, provision for inventory reserves, net foreign currency loss and stock-based compensation, and net unfavorable impact of \$5.8 million from changes of operating assets and liabilities.

Cash Flows from Investing Activities

Cash outflow used in investing activities totaled \$1.5 million for the three months ended March 31, 2024, compared to \$3.6 million of cash outflow used in investing activities for the three months ended March 31, 2023. The \$2.1 million decrease was primarily attributable to a \$2.7 million net decrease in guarantee deposits, which was offset in part by a \$0.5 million increase in purchase of property, plant and equipment.

Cash Flows from Financing Activities

Cash inflow provided by financing activities totaled \$25.2 million for the three months ended March 31, 2024, compared to \$12.4 million of cash outflow used in financing activities for the three months ended March 31, 2023. The financing cash inflow for the three months ended March 31, 2024 was primarily attributable to the \$30.1 million of proceeds received from the new Term Loan with KDB, which was offset in part by a payment of \$4.1 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.5 million for the repurchase of our common stock to satisfy tax withholding obligations in

connection with the vesting of restricted stock units. The financing cash outflow for the three months ended March 31, 2023 was primarily attributable to a payment of \$11.9 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.4 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

Capital Expenditures

We routinely make capital expenditures for fabrication facility maintenance, enhancement of our existing facility and reinforcement of our global research and development capability. For the three months ended March 31, 2024, capital expenditures for property, plant and equipment were \$0.7 million, a \$0.5 million, or 394.8%, increase from \$0.1 million for the three months ended March 31, 2023. The capital expenditures for the three months ended March 31, 2024 and 2023 were related to meeting our customer demand and supporting technology and facility improvement at our fabrication facility.

Critical Accounting Policies and Estimates

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

We believe that our significant accounting policies, which are described further in Note 1 to our consolidated financial statements in our Annual Report on Form 10-K for our fiscal year ended December 31, 2023, or our 2023 Form 10-K, are critical due to the fact that they involve a high degree of judgment and estimates about the effects of matters that are inherently uncertain. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be determined with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

A description of our critical accounting policies that involve significant management judgement appears in our 2023 Form 10-K, under "Management's Discussion and Analysis of Financial Conditions and Reports of Operations—Critical Accounting Policies and Estimates." There have been no other material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at March 31, 2024 for our Korean subsidiaries, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of \$3.5 million in our U.S. dollar financial instruments and cash balances.

See “Note 6. Derivative Financial Instruments” to our consolidated financial statements under “Item 1. Interim Consolidated Financial Statements” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Impact of Foreign Currency Exchange Rates on Reported Results of Operations” for additional information regarding our foreign exchange hedging activities.

Interest Rate Exposures

As of March 31, 2024, \$29.7 million aggregate principal amount of our Term Loan was outstanding. The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly until the Term Loan mature on March 26, 2027. We have interest rate exposure with respect to the \$29.7 million of our variable interest rate debt outstanding under our Term Loan as of March 31, 2024. A 50 basis point increase in interest rates would increase our expected annual interest expense for the next 12 months by approximately \$0.2 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Report, we carried out an evaluation under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of March 31, 2024, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see “Part I: Item 3. Legal Proceedings” of our 2023 Form 10-K.

See also “Item 1A. Risk Factors” in this Report and “Part I: Item 1A. Risk Factors” of our 2023 Form 10-K for additional information.

Item 1A. Risk Factors

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

In addition to the other information contained in this Report and the other reports and materials the Company files with the SEC, investors should carefully consider the risk factors disclosed in Part I, Item 1A of our 2023 Form 10-K as well as in our subsequent filings with the SEC. The risks described herein and therein are not the only ones we face.

Except as set forth below, there have been no material changes to the risk factors disclosed in Part I, Item 1A of our 2023 Form 10-K.

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under our debt instruments when they come due.

As of March 31, 2024, we had approximately \$29.7 million aggregate principal amount of indebtedness under the working capital Term Loan borrowed under the Loan Agreement, which is secured by a pledge of our Fab 3 properties. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing on acceptable terms or at all;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- exposing us to the risk of increased interest rates, as our Term Loan borrowing is at a variable rate of interest; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness and our cash needs may increase in the future. If we are unable to pay our indebtedness when due, including the Term Loan, the lenders may declare default and invoke remedies that could include the foreclosure on pledged collateral to satisfy such indebtedness, which would have a material adverse effect on our financial condition and results of operations.

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

The following table shows the monthly activity related to our repurchases of common stock for the quarter ended March 31, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾	Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands)⁽¹⁾
January 2024	101,282	\$ 6.69	101,282	\$ 35,760
February 2024	524,997	\$ 6.55	524,997	\$ 32,323
March 2024	—	—	—	\$ 32,323
Total	<u>626,279</u>	<u>\$ 6.57</u>	<u>626,279</u>	<u>\$ 32,323</u>

- (1) On July 19, 2023, the Company's Board of Directors authorized a new \$50 million stock buyback program. Purchases have been and will be made in the open market or through privately negotiated transactions, depending upon market conditions and other factors. In connection with the repurchase program, the Company established a stock trading plan with Needham & Company, LLC in accordance with Rule 10b5-1 under the Exchange Act.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information*Securities Trading Plans of Directors and Executive Officers*

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

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
10.1	Separation Agreement, dated as of March 22, 2024, by and among Magnachip Semiconductor Corporation, Magnachip Semiconductor, Ltd. and Chan Ho Park (incorporated by reference to our Current Report on Form 8-K filed on March 26, 2024)
10.2 [#]	Standard Credit Agreement, dated as of March 26, 2024, by and between Magnachip Semiconductor, Ltd. and Korea Development Bank, (English Translation)
10.3 [#]	Kun-Pledge (Mortgage) Agreement, dated as of March 26, 2024, by and between Magnachip Semiconductor, Ltd. and Korea Development Bank, (English Translation)
31.1 [#]	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Executive Officer.
31.2 [#]	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Financial Officer.
32.1†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Executive Officer.
32.2†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Financial Officer.
101.INS [#]	Inline XBRL Instance Document.
101.SCH [#]	Inline XBRL Taxonomy Extension Schema Document.
101.CAL [#]	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF [#]	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB [#]	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE [#]	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Footnotes:

- # Filed herewith
- † Furnished herewith

SIGNATURES

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

MAGNACHIP SEMICONDUCTOR CORPORATION
(Registrant)

Dated: May 10, 2024

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

Dated: May 10, 2024

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

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

Loan Agreement

Date: March 26, 2024

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

TO THE KOREA DEVELOPMENT BANK ("KDB")

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

Article 1 Confirmation of Loan Amount

The total amount of the loan, the sum amount based on the Obligor's repayment plan, receipts and other methods, made available from the Bank to the Obligor shall be confirmed at the time of initial disbursement of the loan (in case of lump sum disbursement per each accounts) or at the time of final disbursement of the loan (in case of multiple disbursements) in accordance with the following criteria by referring to the repayment schedule, receipts, etc.:

KRW Loan	KRW40,000,000,000-	A sum of disbursed amount in KRW.
Foreign Currency-denominated KRW Loan	KRW-	A sum of disbursed amount denominated in foreign currency exchanged from KRW at the current basic rate of exchange on the date of disbursement.
Foreign Currency Loan	KRW-	A sum of disbursed amount in foreign currency.

Article 2 Repayment Terms

The below repayment terms shall apply. The Obligor shall choose one of the following options for repayment of the principal and the interest of the loan by checking "✓" in the applicable box.

Category	Loan 1	Loan 2
Account title	Corporate working capital term loan	
Loan Amount	KRW40,000,000,000-	
Maturity	3 years from the first drawdown date of the loan	_____ years from the first drawdown date of the loan
Repayment	Principal	Principal
	Agreed interest	Agreed interest
Interest payment method	Interest payment method	Interest payment method
Requested drawdown date	Requested drawdown date	Requested drawdown date
Prepayment Commissions	Prepayment Commissions	Prepayment Commissions

* In case there is no corresponding repayment date, the last day of the corresponding month shall be the repayment date and in case the repayment date falls on a non-banking day, the following business day shall be the repayment date:

Agreed Commissions	If the Obligor makes a drawdown of the loan facility after the below date, the Obligor shall pay the agreed commissions in accordance with the below commission rate and Article 5 of this Agreement. <input type="checkbox"/> n/a <input type="checkbox"/> more than a year but less than 2 years, ____% per annum <input type="checkbox"/> more than 2 years, ____% per annum	
Default Compensation Default Interest	If the Obligor fails to pay its obligation under this Agreement when due and payable, a default compensation shall be calculated and paid by applying the following default interest rate to the payable amount for the delayed period as calculated in accordance with the calculation method set by the Bank: The default interest rate shall be calculated by adding 3% additional interest rate per annum to the agreed interest rate, and the maximum default interest rate shall be 15% per annum.	
Calculation method of the interest, commission and default interest	1. The agreed interest shall accrue on the balance thereof from the date immediately following the initial drawdown date of the loan (or the previous repayment date) until the repayment date of the loan at the benchmark interest rate set by the Bank as of the date of drawdown of the loan or the adjustment of benchmark interest rate. 2. The interest, commission and default interest under this Agreement shall be calculated per day on the basis of a 365 days in a year (or 366 days in leap year); provided, however, with respect to loans in foreign currency, the number of days in a year shall be calculated on the basis of a 360 days in a year for USD/EUR and a365 days in a year for JPY. 3. If the loan under this Agreement is a fund loan, such shall be determined by the institution that manages the fund.	
Automatic Transfer	<input type="checkbox"/> In order to pay the principal and interest of the loan, the Obligor hereby acknowledges and agrees that the terms and conditions of the Bank's automatic transfer will be applied to the deposit account _____ and applies for the automatic transfer <input type="checkbox"/> Not applying for the automatic transfer	
Follow-up inspection of the use of funds	<input type="checkbox"/> not applicable <input checked="" type="checkbox"/> applicable	<input type="checkbox"/> not applicable <input type="checkbox"/> applicable
Obligation to Maintain Solvency	<input type="checkbox"/> n/a <input type="checkbox"/> Section 1 <input type="checkbox"/> Section 2 <input type="checkbox"/> Section 3	<input type="checkbox"/> n/a <input type="checkbox"/> Section 1 <input type="checkbox"/> Section 2 <input type="checkbox"/> Section 3

(1) Notice of Repayment Schedule

In case of installment loan, the Bank shall notify the repayment schedule for the total amount of loan to the Obligor, joint guarantors, joint debtors and security providers.

(2) Size of the company

Because the support product and applicable interest rate were determined upon the consideration of the size of the company at the time of this agreement, if the size of the company changes at the time of loan disbursement, the agreed interest rate may change depending on the change in the support product or interest rate conditions.

Article 3 Repayment Currency and Applicable Exchange Rate

The principal, interest, commission and default interest on foreign currency-denominated KRW loans and foreign currency loans shall be paid in the following currency applying the following exchange rate:

- (1) The principal, interest, commission and default interest on foreign currency-denominated KRW loans shall be paid in KRW exchanged from the base amount in foreign currency applying basic rate of exchange, as first announced by the Bank on the actual repayment date; provided, however, if the Bank provides otherwise, repayment may be made in the designated foreign currency.
- (2) The principal, interest, commission and default interest on foreign currency loans shall be paid in the borrowing currency or KRW equivalent thereto; if repayment is made in KRW, the amount shall be exchanged from the borrowing currency at TT selling rate as of the actual repayment date, but if repayment is made in the borrowing currency, the commission-in-lieu-of-exchange shall be paid as provided by the Bank.
- (3) If the exchange rate is not confirmed on the date of repayment of the principal, interest, commission or default interest, the repayment shall be made by applying a tentative exchange rate set by the Bank, and the Bank shall confirm the exchange rate and settle the difference thereafter.

Article 4 Pre-Payment or Acceleration of Payment

(1) The Obligor may repay the principal prior to the repayment date thereof all or parts of the loan prior to its maturity, in which case the Obligor shall pay the prepayment commission in accordance with Article 2 of this Agreement. The relevant terms are defined as follows:

1. Prepaid Principal Amount: the principal loan amount repaid prior to the repayment date thereof, and in case of an installment loan, this includes the principal loan amount repaid prior to the repayment date designated in respect of each installment.
2. Remaining Term of Loan: the number of days calculated beginning from the day following the prepayment date until the repayment date, and in case where the term of the loan (which term shall take into account any extension period) exceeds 3 years, the repayment date shall be deemed to be the date that is 3 years after the initial drawdown date for the respective account. In case of an installment loan, the Remaining Term of Loan shall be calculated in respect of each installment.
3. Loan Period: the number of days beginning from the initial drawdown date until the repayment date, provided in case the loan period (which period shall take into account any extension period) exceeds 3 years the loan period shall be deemed to be 3 years.
4. Details on the commission rate, etc. shall be posted on The Korea Development Bank website at www.kdb.co.kr.

(2) The prepayment commission may be reduced in part or exempt under applicable laws and regulations, governmental policies, or for causes separately specified by the Bank. In case the loan under this Agreement is a fund loan, the matters prescribed in this Article shall be determined by the institution that manages the fund.

Article 5 Agreed Commissions

(1) If the Obligor makes a drawdown of the loan facility after a period set out in the following from the date of this loan agreement, the Obligor shall pay the agreed commissions as provided by the Bank.

(2) The agreed commissions shall be imposed at the rate set forth in Article 2 with respect to the outstanding balance of the Loan from the date immediately following the date indicated in Article 2 until the date immediately prior to the date of drawdown, and shall be paid on the drawdown date of the Loan or every three (3) months.

Article 6 Payment of Revenue Stamp Tax

(1) The Obligor and the Bank shall each bear 50% of the stamp tax under this Agreement.

(2) If the stamp tax to be borne by the Obligor pursuant to paragraph (1) is paid by the Bank, the Obligor shall repay the Bank in accordance with Article 4(2) of the General Terms and Conditions for Credit Transactions.

Article 7 Receipt of the Loan

The Obligor shall submit a receipt for drawdown of the loan; provided, however, the Obligor may not submit such receipt when the loan is deposited to the account of the Obligor or the loan is used to repay a loan in the Obligor's name.

Article 8 Purpose of the Loan and Sanctions

The loan subject to follow-up inspection of the use of funds according to Article 2 of this Agreement will be implemented as follows:

If the Obligor does not submit the detailed table of usage of the loan amount within three (3) months from the drawdown date or if the Bank finds that the transaction between the Obligor and the Bank cannot be continued upon the Bank's discovery of the Obligor's deviation from the intended purpose of the Loan, all obligations of the Obligor shall be accelerated and immediately become due and payable upon written notice of the Bank. Also, new loan will be limited for one (1) year (upon the Bank's first discovery of deviation from the intended purpose of the Loan) and for five (5) years (upon second first discovery of deviation from the intended purpose of the Loan) from the repayment date of the respective loan.

Article 9 Third Party's Repayment and Subrogation

(1) If a third-party desires to repay part or all of the debts in subrogation of the Obligor, the Obligor shall obtain consent thereto from the Bank.

(2) The interested parties including joint guarantors, joint debtors agree not to exercise any right obtained from the Bank by repayment or subrogation without the consent of the Bank while the transaction between the Bank and the Obligor continues, and even in case the interested parties exercise their rights at the same time with the Bank, the interested parties will be repaid only after the Bank is fully repaid.

Article 10 Cancellation of the Loan Agreement, etc.

In the event an acceleration of payment occurs as set forth in Article 7 of the General Terms and Conditions for Credit Transactions, or if the loan is not withdrawn within the withdrawal period provided by the Bank due to reasons attributable to the Obligor, the Bank may cancel part or all of Loan Agreement, or suspend the drawdowns of the Loan or the Deposited Fund.

Article 11 Agreement on the Foreign Currency Loans

(1) The Obligor shall make deposits with the Bank as designated by the Bank the fund in foreign currency required for the planned project other than the approved amount of loan.

(2) Damages or any other cost claimed by a third party against the Bank due to breach by the Obligor shall be borne by the Obligor and the Obligor shall not raise any objection if the Bank exercises its right against the Obligor in the same manner as under this Agreement.

(3) The Obligor shall be subject to compensation for damages in the following cases:

1. The Obligor shall not raise any objection even when the Bank or its designated person exercises the Obligor's right to claim compensation for damages arising from shortage in quantity, damage or different size of brought-in items due to supplier's negligence.

2. If the Obligor receives compensation for damages, or if the Bank receives compensation for damages pursuant to the provision of subparagraph 1, the equivalent KRW amount of the compensation for damages shall be deposited to the Deposited Fund account in the name of the Obligor.

(4) In case of foreign currency loans, if the repayment date falls on a non-banking day or non-banking day of the country of such foreign currency, the following business day (the day where both the bank and the bank of the country of such foreign currency are open) shall be the repayment date. The same will be applicable to prepayments.

Article 12 Obligation to Maintain Solvency

(1) The Obligor agrees to maintain the appropriate financial ratio specified below for the purpose of maintaining solvency in relation to obligations arising from this Agreement. If there are any additional financial restructuring agreements, such agreements shall be attached to the end of this Agreement and the terms of such agreements shall be deemed as part of this Agreement.

	20	20	20	20	20
Debt ratio	%	%	%	%	%
Equity ratio	%	%	%	%	%
() ratio	%	%	%	%	%
() ratio	%	%	%	%	%

(2) If the Obligor intends to engage in any of the following activities, the Obligor shall consult thereon with the Bank in advance:

1. Merger, business transfer/acquisition and sale or lease of material properties;
2. Investment in fixed assets deviating from the intended purpose under the Agreement;
3. Provision of guaranty for a third party's obligation;
4. Participation in a new business or overseas investment; or
5. Activities which are likely to cause material change in management including application for work out or private composition.

(3) The Obligor shall comply with the requests of the Bank for the following activities which are deemed necessary by the Bank for the administration of this Agreement:

1. Sale of real estate or the securities held by the Obligor;
2. Contribution of the majority shareholder;
3. Paid-in capital increase or initial public offering.

(4) Paragraphs (1) to (3) shall apply only in cases where the Obligor checked ("✓") the box in the Article 2 indicating obligation to maintain solvency.

Article 13 Guarantees

Joint guarantors signing and affixing their seals to this Agreement shall approve the General Terms and Conditions for Credit Transactions and each provision of this Agreement, be jointly and severally liable with the Obligor for the Loan, and shall comply with the following subparagraphs in the performance of their obligations:

1. The scope of the guaranteed liabilities shall include the principal, interest, default interest and any additional liabilities, and be limited to KRW _____.

2. Guarantee by the following financial institutions (or its equivalents) shall be excluded from the scope of guaranteed liabilities in 1. above.

Banks under the Banking Act and other special acts;
Credit Guarantee Fund under the Credit Guarantee Fund Act;
Korea Technology Finance Corporation under the Korea Technology Finance Corporation Act;
Regional Credit Guarantee Foundation under the Regional Credit Guarantee Foundation Act;
Korea Trade Insurance Corporation under the Trade Insurance Act;
Korea Housing Finance Corporation under the Korea Housing Finance Corporation Act;
Housing and Urban Fund under the Housing and Urban Fund Act; and
Surety insurance company under the Insurance Business Act.

3. The Bank may amend, terminate or release, as applicable, other securities or guarantees if the joint guarantors consent thereto or if the Bank determines that the Mortgagor's subrogation right will not be adversely affected by substituting the existing security with a higher value security or the guarantor with another guarantor with comparable financial resources, or the release of the security or the guarantee in proportion to the Obligor's partial payment of the guaranteed or secured obligations.

4. If there is a separate guarantee for transactions between the Bank and the Obligor, such other guarantee shall not affect this guarantee provided under this Agreement.

5. Each provision of the General Terms and Conditions for Credit Transactions shall be applied to the joint guarantors unless each provision thereof is contrary to the nature of the guarantee.

Article 14 Special Terms and Conditions

1. If the Bank determines that the recovery of claims becomes notably challenging due to substantial deterioration of the creditworthiness of the Obligor, the Bank may require the Obligor necessary measures to improve credit standing and the Obligor shall implement without delay. In the event that the Obligor fails to such implement, at the Bank's request, all obligations which the Obligor owes to the Bank shall immediately become due and payable.

The Undersigned	Magnachip Semiconductor, Ltd. 76 Jikji-daero 436beon-gil, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do Representative Director: /s/Young-Joon Kim [corporate seal stamped]	Joint Guarantor Joint Guarantor
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The Korea Development Bank

General Terms and Conditions for Credit Transactions

(For Corporate Borrower)

These General Terms and Conditions for Credit Transactions (the “**General Terms and Conditions**”) are established to facilitate the prompt and fair credit transactions between the Korea Development Bank (the “**Bank**”) and the customer (the “**Obligor**”) based on mutual trust. The Bank shall post this General Terms and Conditions at all offices of the Bank and on the electronic financial media, and the Obligor may access the General Terms and Conditions and request to deliver a copy thereof.

Article 1 Scope of Application

- (1) The General Terms and Conditions shall apply to all credit transactions arising between the Bank and the Obligor (which is the person or entity owing obligations to the Bank including a borrower, a discount applicant and a payment guarantee applicant; hereinafter the same shall apply) that includes without limitation to loans, subscription of public and corporate bonds, payment guarantees, lending of instruments and securities, foreign exchange-related transactions, etc.
- (2) In the event that the Bank has, through credit transactions with any third party, acquired bills (including checks, hereinafter the same) drawn, endorsed, accepted, accepted for honor or guaranteed by the Obligor, the General Terms and Conditions shall apply to the Obligor’s performance of the obligations evidenced by such bills; provided however, Articles 2, 3, 5, 7, 12(1) and 15(1) shall not apply.
- (3) The General Terms and Conditions shall apply to all transactions and performance of obligations between the head office or branches of the Bank and the head office or branches of the Obligor to the extent that the transaction or the performance of obligations falls within the scope of Paragraph (1) or (2) above.

Article 2 Obligations on Bills and Credits

In the event the Obligor receives credit from the bills drawn, endorsed, accepted, accepted for honor or guaranteed by the Obligor, the Bank may demand from the Obligor the performance of the Obligor’s obligations by exercising the Bank’s rights either under such bills or under such underlying credits.

Article 3 Interest and Default Interest

- (1) The rates, calculation method or the time and manner of payment, respectively, of the interest, discount charge, guarantee fee or commission (“**Interest and other fees**”) shall be determined by the Bank to the extent permitted by applicable laws and regulations, and the Bank shall make available through product description and the Bank’s website for the Obligor to check the Interest and other fees prior to entering into relevant agreements.
- (2) With respect to the rate of the Interest and other fees, the Obligor may select one of the following at the time of the agreement:
 1. The Bank shall not, in principle, change the rate until the Obligor’s obligations are fully performed; or

2. The Bank may change the rate from time to time until the Obligor's obligations are fully performed.
- (3) If the Obligor selects Paragraph (2) 1. above and there is a material change in circumstances due to sudden changes in the national economy or financial situation, which could not be expected at the time of execution of the agreement, before the obligations are fully performed, then the Bank may increase or decrease the rates of the Interest and other fees by providing notice to the Obligor. In the event the cause for such change ceases to exist, the Bank shall change the rate of the Interest and other fees to conform to such circumstance.
- (4) If the Obligor selects Paragraph (2) 2. above, the Bank shall increase or decrease the rates of Interest and other fees in accordance with the financial practices to a reasonable extent.
- (5) Any amount not paid by the Obligor to the Bank when due and payable shall bear interest at the default rate determined by the Bank to the extent permitted under the applicable laws and regulations, calculated on a daily basis on 365 days in a year (366 days in a leap year); provided that, the Bank may change the rates to the extent permitted under the applicable laws and regulations in the event of change in financial condition or any other comparable causes.
- (6) If the Bank needs to change the calculation method or time and manner of payment of the Interest and other fees and the default interest due to changes in the financial circumstances or any other circumstances affecting credit transactions, such change may be made by the Bank to the extent permitted under the applicable laws and regulations, and shall apply from the date of the first interest payment after such change.
- (7) If the change is made pursuant to Paragraph (4), (5) or (6) above, the Bank shall post a notice of change at each office of the Bank and on electronic financial media as designated by the Bank for one (1) month from the effective date of such change; provided, that, if the change applies to certain Obligors, the change shall be notified to such Obligors separately.
- (8) If the Obligor incurs unexpected disadvantage pursuant to Paragraph (3) or (6) above, the Obligor may terminate the agreement within one (1) month from the date of the first interest payment after such change. In this case, the interest shall accrue at the rate effective prior to the change until the date of termination, and any amount not paid by the Obligor to the Bank when due and payable as a result of such termination shall bear interest at the default interest rate that was effective prior to such change.

Article 4 Costs and Expenses

- (1) The Obligor shall bear the costs and expenses set forth in the following as a result of default or non-performance of the Obligor's obligation:
 1. the costs and expenses incurred by the Bank in enforcing or protecting the Bank's rights including without limitation to claims or security right against the Obligor, guarantor or guarantor in rem [including provisional attachment or provisional injunction (including termination thereof)];
 2. the costs and expenses incurred by the Bank for inspection of any collateral or collection of claims; and

3. the costs and expenses incurred by the Bank for sending notices to demand performance of the Obligor's obligations.
- (2) In the event that the Bank pays on the Obligor's behalf any cost and expenses set forth in Paragraph (1) above not paid by the Obligor, the Obligor shall immediately reimburse the Bank for such payment. Any of such payment not paid immediately shall bear the agreed interest of which the maximum rate is 6% per annum as stipulated in Article 54 of the Korean Commercial Code, calculated on a daily basis based on 365 days in a year (366 days in leap year) for the period from the date of the payment by the Bank to the date of full reimbursement by the Obligor.
- (3) Before executing any loan agreement, the Bank shall inform the Obligor in writing in advance of the type and amount of incidental costs and expenses required for extending loans, in addition to the agreed interest and prepayment fees. Further, the Bank shall calculate and inform the actual interest which adds up to the agreed interest and any other charges of similar nature to be borne by the Obligor.

Article 4-2 Withdrawal of Offer

o Please note that the underlined portion of this Article is different from the "General Terms and Conditions for Credit Transactions (for Corporate Borrower)" set out by the Korea Fair Trade Commission.

- (1) The Obligor may withdraw its offer of the loan contract concluded with the Bank in accordance with Article 46 of the Act on the Protection of Financial Consumers and related regulations.
- (2) In the event that the Obligor who has withdrawn its offer of the loan contract concluded with the Bank pursuant to Paragraph 1 above, insists on repaying the loan amount in whole, the Bank shall process upon confirming the Obligor's intention to withdraw its offer.

Article 4-3 Termination of illegal contract

o Please note that this Article is different from the "General Terms and Conditions for Credit Transactions (for Corporate Borrower)" set out by the Korea Fair Trade Commission.

If the Obligor executed a contract with illegality with the Bank, the Obligor may request the termination of the contract in accordance with Article 47 of the Act on the Protection of Financial Consumers and related regulations.

Article 5 Purpose and Use of Fund

- (1) The Obligor shall clearly describe the purpose of the fund in the application for credit. The fund disbursed to the Obligor by the Bank or the securities borrowed by the Obligor from the Bank under the credit transactions shall not be used for any purpose other than the purpose agreed to under the agreement. The same shall apply to payment guarantees and other types of credits extended by the Bank.
- (2) The Obligor shall actively cooperate with any and all actions of the Bank in relation to the use and management of the fund, borrowed securities or credit under Paragraph (1) above.

Article 6 Security and Insurance

- (1) The Obligor shall provide the Bank with security as prescribed by the Bank in connection with the obligations owed to the Bank.
- (2) Unless the Bank demands otherwise, the Obligor shall provide the Bank with the facilities to be installed with the fund, together with the land and the building on or in which the facilities are installed including any and all facilities within the land and the building as security, and shall enter into an insurance agreement with respect to any security as instructed by the Bank and pledge the insurance claim in favor of the Bank.
- (3) In case of deterioration in the Obligor's or the guarantor's creditworthiness due to a reason attributable to the Obligor or the guarantor or a significant reduction in the value of any security, the Obligor or the guarantor shall, upon demand by the Bank for the protection of security, effect the restoration or supplementation of such security.
- (4) Any security shall, in principle, be disposed of in accordance with the procedures prescribed by the voluntary auction procedure in accordance with the Civil Execution Act (provided, in the case that the Trust Act or other specific laws prescribe for the disposition of such security, then in accordance with the foregoing), *provided, however*, in the case of each of the following sub-paragraphs, the Bank may directly apply the security for the payment of the Obligor's obligations, or may sell the security and may deduct any expenses incurred from the proceeds and apply the remaining amount to the payment of the Obligor's obligations to the Bank pursuant to Article 13 hereof. In this case, the Obligor shall agree to promptly repay any outstanding obligations if applicable, and the Bank shall pay to the Obligor, etc. any amount remaining after deducting the amount of the Obligor's obligations from the assessed value of the security or sale proceeds. "Obligor, etc." shall mean the Obligor, pledger, the third party acquirer of the security.
 1. In the case that the value of the security is insignificant such that an auction shall be impractical;
 2. In the case that there exist circumstances that make it difficult for a fair value to be assessed during an auction;
 3. In the case that a fair market value is available such that a fair value can be assessed without recourse to an auction; or
 4. In the case that a justifiable reason can be seen to exist.
- (5) In the case that reliance is not made on the voluntary auction procedure (or a method of disposition of security prescribed under specific laws and regulations), the Bank shall notify the content of each of the following sub-paragraphs to the Obligor, etc. and persons of interest of which the Bank is aware, and only in the event that the person of interest does not provide a method of disposition resulting in an amount greater than the amount of expected sale proceeds assessed by the Bank during the period that is 1 months from the date of delivery of the above-referenced notice may the disposition be made. Provided, the foregoing shall not be applicable if there is a risk of loss or damage to the security or there is a risk of a rapid decrease in value of the security.
 1. Method of enforcing security;
 2. Amount of the secured obligations;

3. The assessed value of the security or the amount of expected sales proceeds; and
 4. Reason for directly applying the security for the payment of the Obligor's obligations or for selling the security.
- (6) In case of any delay in the Obligor's performance of any obligations owing to the Bank, the Bank may continue to possess, or make collections on or dispose of, pursuant to the Paragraph (4) above, all or part of the Obligor's personal properties, bills, and other negotiable instruments and securities in the Bank's possession or management, even if it was not furnished to the Bank as security.

Article 7 Acceleration of Payment

o Please note that the underlined portion of this Article is different from the "General Terms and Conditions for Credit Transactions (for Corporate Borrower)" set out by the Korea Fair Trade Commission.

- (1) Upon occurrence of any of the events set forth below, all obligations which the Obligor owes to the Bank shall immediately become due and payable without notice or demand from the Bank, and the Obligor shall immediately pay (or perform) such obligations (including without limitation the obligation to make advance reimbursements for a payment guarantee, and the obligation to return and to release any registered security interests on the instruments and securities on loan by the Bank to the Obligor, hereinafter the same shall apply):
 1. an order or notice of attachment, provisional attachment, or attachment for delinquent taxes or public imposts is issued with respect to any of the Obligor's deposit with or other claims against the Bank ("Deposits and other claims"); provided however, in case of obligations secured by any collateral, such obligation shall be immediately due and payable for the reason of provisional attachment only if the recovery of claims is notably difficult;
 2. a decision to commence a compulsory execution or public auction by exercise of a security right is made or disposition for delinquent taxes or public imposts is commenced with respect to any of the collaterals provided by the Obligor;
 3. an application is filed for bankruptcy, rehabilitation or debtor rehabilitation of the Obligor, or an application is filed for listing the Obligor on the registry of delinquent debtors;
 4. a notice is received for the collection of taxes or other public imposts prior to the due date thereof or the clearing house suspends the Obligor's transactions;
 5. the Obligor is deemed to fail to make payment due to its suspension of business or its fleeing or otherwise;
 6. any of the events described in subparagraph 1 above occurs with respect to the Deposit and other claims of any oligopolistic shareholder or de facto owner of the Obligor who is also a comprehensive keun-guarantor; or
 7. payment obligation is accelerated by any applicable law or regulation.

- (2) Upon the occurrence of any of the events set forth below and as a result the preservation of the Bank's rights are notably and adversely affected, the Bank may, in its sole discretion upon providing notice to the Obligor, demand the Obligor to repay the obligations, to cancel attachment, etc. and to restore creditworthiness, and all obligations that the Obligor owes to the Bank will immediately become due and payable on the date when the grace period (which should be at least ten (10) days) designated in a written notice or demand given by the Bank has elapsed after the receipt of such notice or demand, and the Obligor shall immediately pay (or perform) such obligations:
1. the Obligor fails to pay any of its obligations owed to the Bank on the due date or fails to pay the obligations which are accelerated pursuant to Paragraph (3) of this Article;
 2. it becomes difficult for the Bank to maintain a client relationship with the Obligor due to the breach by the Obligor of any provisions in Article 5, 9 or 19 hereof;
 3. a decision to commence a compulsory execution or public auction by exercise of security right is made or disposition for delinquent taxes or public imposts is commenced with respect to the property other than the property set forth in Paragraph (1)1 or (1)2 of this Article;
 4. an order of provisional attachment is made with respect to the property other than the property set forth Paragraph (1)1 of this Article, and the recovery of claims becomes notably challenging due to substantial deterioration of the creditworthiness of the Obligor;
 5. it is determined that the Obligor obtained any loan by illegal and/or fraudulent methods including but not limited to intentionally submitting documents that are forged or altered to the Bank in violation of financial order;
 6. the project or business related to the Bank's loan is delayed or suspended for a considerable period without prior consent from the Bank;
 7. the Obligor receives financial sanctions from governmental authorities or other entities due to violation of the applicable laws or regulations;
 8. the creditworthiness of the Obligor decreases substantially as a result of the commencement of liquidation procedures against the Obligor, merger with another company having a deficit, lockout or suspension of business due to labor disputes, bankruptcy of a related company or occurrence of any legal disputes which may affect the management of the Obligor, or otherwise;
 9. the Obligor's credit information is registered as information on default, subrogation or substitute payment, dishonor, related parties, disruption of financial order or public records under the Credit Information Management Rules.
- (3) Upon the occurrence of any of the events set forth below, the Bank may, in its sole discretion upon providing notice to the Obligor, demand the Obligor to repay the obligations, to cancel attachment, etc. and to restore creditworthiness, and all obligations that the Obligor owes to the Bank immediately become due and payable on the date when the grace period (which should be at least ten (10) days) designated in a written notice or demand given by the Bank has elapsed after the receipt of such notice or demand, and the Obligor shall immediately pay (or perform) such obligations:
1. the Obligor violates any provisions in Article 6(3) and/or Article 15 hereof;

2. the Bank determines it to be difficult to maintain a client relationship with the Obligor due to the breach by the Obligor of the provisions of the agreement with the Bank, including without limitation such as the Obligor does not obtain fire insurance with respect to the collateral, intentionally transfers the collateral to a third party without the consent of the Bank to the detriment of the Bank's interest, or delays providing collateral to the Bank the machinery or building which has been constructed, installed or manufactured with the proceeds of the loans extended by the Bank to the Obligor;
 3. if the guarantor falls in any of the events under Paragraph (1)1 to (1)5, (1)7, (2)3 or (2)4 of this Article, and the guarantor is not replaced within a considerable period; or
 4. any of the events under Paragraph (1)1 or (1)2 of this Article occurs to the collateral provided by a third party in favor of the Obligor.
- (4) Even when the Obligor's obligation to the Bank is accelerated under Article 7 Paragraphs (1) to (3) of this Article, if the Bank expressly waives its rights or if the normal transactions are resumed between the Bank and the Obligor notwithstanding the acceleration (e.g., the Bank receives an installment payment, interest or default interest), the obligation or the obligation designated by the Bank shall be deemed to have been restored to its original condition.

Article 8 Notice to Joint Guarantors of Accelerated Obligations

- (1) If the Obligor's payment obligation is accelerated pursuant to each subparagraph of Article 7(1), the Bank shall notify of such event of acceleration in writing to the joint guarantor within fifteen (15) business days from the date on which any event of acceleration under subparagraph 1 or 6 of Article 7(1) occurs or the Clearing House suspends the Obligor's transactions under subparagraph 4 of Article 7(1) or otherwise, within fifteen (15) business days from the date on which the Bank recognizes such event of acceleration.
- (2) If the obligations are accelerated pursuant to Article 7(2) or (3), the Bank shall notify the joint guarantors thereof in writing within fifteen (15) business days from the date when such obligations are accelerated.
- (3) Even in case such event of acceleration of obligations is notified to the joint guarantors pursuant to Paragraph (1) or (2) above, the consent of the joint guarantors for continuous transaction is not required with respect to the obligations of which acceleration has been withdrawn pursuant to Article 7(4). In this case, the Bank shall give a notice of withdrawal of acceleration in writing to the joint guarantor of such obligations within fifteen (15) business days.

Article 9 Obligation to Maintain the Debt Repayment Capacity

The Obligor shall maintain a minimum financial ratio that is required by the Bank in order to repay the obligations owed to the Bank.

Article 10 Set-off by the Bank

- (1) In the event that the Obligor's obligation is due and payable whether by maturity in accordance with its term or by acceleration upon occurrence of any of the events described in Article 7, the Bank may set off by written notice to the Obligor and/or Guarantor (hereinafter "Obligor, etc.") any such obligation at any time against any of the Deposits and other claims of the Obligor or the guarantors irrespective of the due dates thereof.

- (2) In the event that the Obligor's obligation becomes due and payable to the Bank as referred to in Paragraph (1) above, the Bank may, on behalf of the Obligor, etc., also make withdrawals from the Obligor, etc.'s deposits in the Obligor, etc.'s name provided by the Obligor, etc. as security, and may apply such withdrawals to the payment of the Obligor's obligations regardless of whether the maturity of such deposit is due yet without any prior notice and without complying with any particular procedures; provided however, that immediately after such withdrawal and application, the Bank shall give a notice to the Obligor, etc. of the withdrawal and application.
- (3) If the Bank sets off any obligation of the Obligor against the Obligor, etc.'s Deposits and other claims pursuant to Paragraphs (1) above, the Bank may take payment suspension measures in respect of or on the Obligor, etc.'s Deposits and other claims for the time being prior to set-off; provided that, if the Bank takes payment suspension measures on the Obligor, etc.'s Deposits and other claims, the Bank shall immediately notify the title holder thereof.
- (4) In the event that the Bank sets off against the Obligor's obligation in accordance with the provisions of Paragraphs (1) above or makes any withdrawals and application in accordance with the provisions of Paragraph (2) above, such set-off or withdrawal and application shall be promptly effected taking into account the fair benefits of the Obligor, guarantors and security providers. The period for the purpose of calculation of Interest and other fees on the Obligor's credits and obligations and default interest, shall extend up to and include the date on which the notice of set-off is sent to the Obligor or the date on which the calculation for withdrawal and application is made, of which the rate shall be determined by the Bank, and the foreign exchange rate shall be determined as the market rate prevailing at the time of the calculation by the Bank. In this case, as for any of the Deposits and other claims of the Obligor with the Bank of which the maturity is not due yet, the interest rate agreed with the Bank at the time of opening the account shall apply.

Article 11 Set-off by the Obligor

- (1) The Obligor may set off any of the Obligor's Deposits and other claims which became due against any obligations owed to the Bank irrespective of the due dates of such obligations.
- (2) In the event that the Obligor sets off its claims against the obligation to repurchase the bill discounted by the Bank prior to its due date, the Obligor shall repurchase such bill at the remaining value after having deducted from its face value an amount discounted from the date of repurchase to the maturity; provided that, the Obligor shall not set off against any bills which the Bank has negotiated to any third party.
- (3) Notwithstanding the provisions of Paragraph (1) and (2) above, the Obligor may not set off any claims and obligations denominated in a foreign currency until their respective due date and unless all procedures are completed in accordance with the applicable laws and regulations with respect to foreign exchange.
- (4) In the event that the Obligor sets off its claims against the Bank in accordance with Paragraphs (1) to (3) above, the Obligor shall give the Bank a written notice thereof and shall promptly submit to the Bank any passbook or certificate evidencing deposits or claims against which such claim is set off, together with the reported signature and/or seal affixed thereon.

- (5) In the event that the Obligor sets off its claims against the Bank in accordance with Paragraphs (1) to (3) above, the period for purposes of calculating Interest and other fees on the Obligor's claims and obligations, and default interests shall be up to and including the date on which the Bank receives the Obligor's notice of set-off, and the rate of interest shall be determined by the Bank, and the foreign exchange rate shall be determined as the market rate prevailing at the time of calculation by the Bank. The Obligor shall pay to the Bank such fees as are agreed to be payable between the Bank and the Obligor with respect to the prepayment prior to the maturity.

Article 12 Presentment and Delivery of Bills

- (1) If the Bank sets off against the Obligor's obligation or makes withdrawals and application as set forth in Article 10 without exercising the Bank's rights under the bills in accordance with Article 2, the Bank will not be required to simultaneously return any such bills to the Obligor. The bills shall be returned at the Bank's office which conducts banking transactions with the Obligor, and the Bank shall notify the Obligor to promptly receive the bills. The same procedures shall apply to the case of returning the bills in the event of set-offs by the Obligor under Article 11.
- (2) If the Bank sets off against the Obligor's obligation or makes withdrawals and application as set forth in Article 10 by exercising the Bank's rights under the bills pursuant to Article 2, the Bank will not be required to present or deliver any such bills to the Obligor if any of the following conditions is satisfied, and the provisions of Paragraph (1) above shall apply with respect to returning the bills:
 1. if the Bank does not know the Obligor's current whereabouts;
 2. if the Bank is the place designated as the place at which such bills are payable; or
 3. if the Bank deems it unavoidable to omit presentment or delivery of the bills to the Obligor for such reasons as interruption of transport or communication or its use for collection, or otherwise.
- (3) If any of the Obligor's obligations to the Bank that are due and payable are not paid in full after being set off as set forth in Articles 10 and 11 and other parties are liable under the bills in addition to the Obligor, the Bank may retain such bills and may apply the proceeds collected or received by the disposition of the bills to the payment of the Obligor's obligations in accordance with Article 13.
- (4) The Bank may make a demand for payment without presenting the bills for the purpose of tolling the statute of limitations for claims of the bills.

Article 13 Order of Application by the Bank

- (1) In the event that payments made by the Obligor, set-offs or withdrawals and application made by the Bank as provided for in Article 10, are insufficient to satisfy all of the Obligor's obligations, the Bank shall apply such payments and/or such set-offs or withdrawals and application to the satisfaction in the following order of (i) any expenses, (ii) default interest, and (iii) the interest and the principal of the Obligor's obligation; provided however, the Bank may change the order of application unless such change is adverse to the Obligor's interest.
- (2) In the event that there are two (2) or more of the Obligor's obligations against which payment or set-off is made and such obligations are not discharged in full by such payment or set-off, Article 477 of the Korean Civil Code shall apply to the amount recovered in the court auction or public sale by exercise of security rights.

- (3) In the event that there are two (2) or more of the Obligor's obligations against which payment or set-off is made and any voluntary repayments or Deposits and other claims which do not fall under Paragraph (2) above are insufficient to satisfy all of the Obligor's obligations, such repayments or Deposits and other claims may be applied to the satisfaction of the Obligor's obligations in such order of application as the Obligor may determine. In this case, if the determination of the order of application is likely to adversely affect the Bank's rights, the Bank may without delay raise an objection thereto and change the order of application of the obligations to be paid or set-off by considering the availability of property security or guarantees, the value and marketability of such property security or guarantees, the due date and the possibility of collection of the discounted bills, or otherwise.
- (4) In the event that the Bank applies the payments and/or set-offs or withdrawals and application to the satisfaction of the Obligor's obligations in such order of application different from the statutory order specified in the Korean Civil Code or any other applicable laws in accordance with Paragraph (3) above, the Bank shall take into consideration the reasonable interests of the Obligor, the security provider or the guarantor to the extent such does not adversely affect the protection of the Bank's claims.

Article 14 Order of Application by the Obligor

- (1) In the event of any set-off effected by the Obligor as set forth in Article 11, if the Deposits and other claims are insufficient to satisfy all of the Obligor's obligations, such Deposits and other claims may be applied to the satisfaction of the Obligor's obligations in such order of application as the Obligor may determine.
- (2) When the Obligor fails to make the determination as set forth in Paragraph (1) above or if the determination of the order of application provided in Paragraph (1) above is likely to adversely affect the preservation of the Bank's rights, the Bank shall designate the order of the application of the obligations to be satisfied by set-off pursuant to Article 13.

Article 15 Assumption of Risks and Indemnification

- (1) In the event any bills which the Obligor has drawn, endorsed, accepted, accepted for honor or guaranteed, or instruments which the Obligor has furnished to the Bank are lost, destroyed, damaged or delayed in delivery due to causes not attributable to the Bank such as force majeure, disasters, calamities or accidents during transit, the Obligor shall pay the Obligor's obligations as recorded on the Bank's books, slips, or otherwise; provided that, if the Obligor presents any evidence different from the Bank's books and slips, or otherwise, the Bank shall compare the evidence and fix the Obligor's obligations as it thinks fit and then the Obligor shall pay and perform such obligations.
- (2) In the event any bills which the Obligor has drawn, endorsed, accepted, accepted for honor or guaranteed, or the instruments which the Obligor has furnished to the Bank are lost, damaged or destroyed as set forth in Paragraph (1), the Obligor shall upon the Bank's demand forthwith provide the Bank with substitute bills or other instruments; provided however, this does not apply to such bills and instruments acquired by the Bank in the course of transactions with a third party.
- (3) The Bank shall undertake to indemnify the Obligor who bears losses from double payments without any negligence as a result of payments or substitute bills or other instruments pursuant to Paragraph (1) or (2) above.

- (4) If the Bank has entered into transactions or has handled matters after making adequate visual inspection with due care to check the seal impression or signature on the bills or instruments against the Obligor's specimen seal impression or specimen signature previously filed with the Bank and finding such to be genuine, the Obligor shall be liable for any losses and damages arising from any forgery, alteration, wrongful use, or otherwise of the bills, instruments and seals or signatures, and shall be liable in accordance with the terms of any such bills or instruments.

Article 16 Filings with the Bank and Changes thereof

- (1) The Obligor shall file with the Bank in the form prescribed by the Bank in advance the following: the Obligor's name, trade name, representative, address and seal or signature, etc., and the name and seal or signature of the Obligor's agent if any transaction is performed with the Bank through the Obligor's agent.
- (2) The Obligor shall notify the Bank of any change in what is filed with the Bank as set forth in Paragraph (1) above. The Obligor shall also notify the Bank of any changes to what has been registered in the Company Registry.

Article 17 Obligation to Prepare Documents in Good Faith

The Obligor shall in good faith prepare and submit the required documents to the Bank in connection with a credit transaction.

Article 18 Effect of Notice

- (1) Any notice given by the Bank or any document sent by the Bank to the Obligor's latest address filed with the Bank shall be deemed to have been delivered by the time it normally takes to be delivered by mail.
- (2) If any notice given or any documents sent by the Bank in accordance with Paragraph (1) above has not been delivered or is delayed due to the Obligor's negligence to notify any change pursuant to Article 16(2), such notice or documents shall be deemed to have been delivered at the time it normally should have been delivered by mail; provided that, notice of set-off, acceleration of payment or any other important indication of intention shall be deemed to have been delivered only if such notice was sent by content-certified mail.
- (3) Copies retained by the Bank of the notices or documents forwarded by the Bank to the Obligor and the Bank's record indicating such delivery shall constitute prima facie evidence that the Bank has given such notices or documents.

Article 19 Report and Investigation

- (1) Upon the Bank's request, the Obligor shall promptly submit to the Bank, reports with respect to the Obligor's assets, liabilities, management conditions, the status of business or performance of credit conditions and any other important matters, and the Obligor shall also provide any assistance necessary for the Bank's investigation of the Obligor's book records, factories, place of business or any other matters, upon the Bank's request.

- (2) The Obligor shall promptly submit to the Bank, even without the Bank's request, a report of any material change that has occurred or is likely to occur with respect to the Obligor's assets, liabilities, management conditions or the status of business or other matters which may affect the Obligor's transactions with the Bank.
- (3) If it is likely that it would not be possible for the Bank to collect its credit extended to the Obligor due to the measure of transaction suspension by the clearing house, non-performing credit or rapid deterioration of management conditions of the Obligor based on the reports, and investigations or notifications submitted in accordance with Paragraphs (1) and (2) above, the Bank may at any time send its staff, to the extent necessary for the purpose of protecting the Bank's rights, to manage or supervise the Obligor's assets and business management.

Article 20 Change to Terms of Credit Transaction

- (1) In case of changes to the creditworthiness of the Obligor, the Bank may adjust the credit rating as determined by the Bank and change the credit limit, maturity, interest rate and/or other terms of the credit transaction by giving a written notice of such adjustment and/or change.
- (2) If the Obligor has any objection to the change to the credit limit or maturity under Paragraph (1) above, the Obligor may terminate the agreement within one (1) month from the date when such change to the credit limit or maturity takes effect. As for any objection to the change in the interest rate, the Obligor may terminate the agreement within one (1) month from the first interest payment date under such change. The terms before the change shall apply until the termination date of the agreement.
- (3) In the event the Obligor acknowledges that its creditworthiness has improved, the Obligor may demand in writing that the Bank change the credit limit, maturity, interest rate and/or other terms of the credit transaction that has been determined by the Bank. In this case, after review of such request, the Bank shall take necessary measures and notify the Obligor of the results of such review.

Article 21 Place of Performance and the Governing Law

- (1) Any obligations in connection with the Obligor's transactions with the Bank shall be performed at the Bank's office that conducts transactions with the Obligor, unless otherwise agreed; provided however, if the Bank transfers the task of credit management to headquarter or other offices for the management of non-performing credit or for any other reasonable causes, such transferred obligations of the Obligor shall be performed at such headquarter or other offices.
- (2) The credit transactions under the General Terms and Conditions shall be governed by and be construed in accordance with the laws of the Republic of Korea, even if the Obligor is not a Korean person or company.

Article 22 Amendment to General Terms and Conditions and the agreements

o Please note that the underlined portion of this Article is different from the “General Terms and Conditions for Credit Transactions (for Corporate Borrower)” set out by the Korea Fair Trade Commission.

- (1) If the Bank intends to amend the General Terms and Conditions or the ancillary agreements thereto in a manner that will adversely affect the Obligor, the Bank shall post notices of the amendment in the Bank’s offices and on the webpage of the Bank for one (1) month preceding the scheduled date of the amendment; provided however, the Bank shall post notices of the amendment for seven (7) days from the effective date of the amendment in the case of each of the following sub-paragraphs:
 1. When the amendment is in accordance with the enactment or revision of laws;
 2. When the amendment is beneficial to the customer or does not apply to existing customers; or
 3. When the amendment is about simple wording change which does not substantially change the content of the existing terms and conditions.
- (2) In case the amendment under Paragraph (1) above will adversely affect the Obligor, the Bank shall notify the Obligor of such amendment through means agreed in advance with the Obligor, at least thirty (30) days before the amendment. However, no notice is necessary if the terms before the amendment shall apply to the Obligor or in case the Obligor expressly indicates the intention of not receiving such notification of any amendment.
- (3) When the Bank gives notice to the Obligor under Paragraph (2) above, it shall include in the notice the following: “The Obligor may terminate the agreement within thirty (30) days from the date when the notice arrives in case of disagreement with the amendment, and the proposed amendment shall be deemed accepted and agreed to by the Obligor unless the Obligor provides notice of intention to terminate the General Terms and Conditions and the ancillary terms thereto”.
- (4) The proposed amendment to the General Terms and Conditions and the ancillary terms thereto shall be deemed accepted and agreed to by the Obligor, unless the Bank receives the Obligor’s objection to such amendment within thirty (30) days after the notice in Paragraph (3) above is received by the Obligor.
- (5) The Bank shall post or keep a copy of the General Terms and Conditions in the offices of the Bank and deliver them to the Obligor upon the Obligor’s request.

Article 23 Jurisdiction

The Obligor hereby agrees and consents that, in addition to the jurisdiction prescribed by the applicable law, the district court having jurisdiction over the headquarter or the offices of the Bank that conduct transactions with the Obligor shall have jurisdiction over any legal action instituted between the Bank and the Obligor, the guarantor or the guarantor in rem in connection with the credit transaction under the General Terms and Conditions; provided however, if the Bank transferred the management of credit to the headquarter or other offices of the Bank to manage non-performing credit which occurred due to a cause attributable to the Obligor, the Obligor agrees and consents, in addition to the jurisdiction prescribed by the applicable law, that the district court having jurisdiction over the headquarter or other offices of the Bank to which the management of credit has been transferred shall have jurisdiction over such legal actions.

Kun-Security

Team Team General
Member Manager Manager**KUN- MORTGAGE AGREEMENT**Date: March 26, 2024

The Bank shall explain all the material terms of this Agreement and shall deliver a copy of the General Terms and Conditions for Credit Transactions and this Agreement, to the Mortgagor.

★ Providing collateral to secure debt is a serious legal act with potentially adverse financial consequences for the Mortgagor. The Mortgagor should carefully read this Agreement and the "Notice to Mortgagor" printed at the reverse side of this Agreement before making a decision.

★ The blank boxes (for party names and at the end of this Agreement) should be filled by the Mortgagor in his/her own handwriting.

Creditor & Mortgagee: The Korea Development Bank ("KDB") (seal)
Authorized Agent Raehyeon Park (Branch: Cheongju Branch)
Address 14, Eunhaeng-ro, Yeongdeungpo-gu, Seoul, Republic of Korea

Obligor : Magnachip Semiconductor, Ltd. (seal)
Address 15F, 76 Jikji-daero, 436beon-gil Heungdeok-gu, Cheongju-si,
Chungcheongbuk-do, South Korea

Mortgagor : Magnachip Semiconductor, Ltd. (seal)
Address 15F, 76 Jikji-daero, 436beon-gil Heungdeok-gu, Cheongju-si,
Chungcheongbuk-do, South Korea

This Kun-Mortgage Agreement is entered into by and among the above-mentioned parties.

Article 1. Establishment of Kun-Mortgage

The Mortgagor agrees to be bound by the General Terms and Conditions for Credit Transaction and hereby establishes a kun-mortgage with the following conditions on the properties listed in the "List of Mortgaged Property" at the end of this Agreement ("Mortgaged Property").

1. Scope of secured obligations:

The Creditor has explained that the Mortgagor may select one type of secured obligation from the following three (3) types of secured obligations varying in the scope of the secured obligations, and the Mortgagor agrees to provide the secured obligations (including interest, default interest and other incidental obligations) specified below in *Limited Kun-Security*.

Specified Kun-Security

Any and all current and future obligations of the Obligor to the Creditor (head office / branches) under or arising from the following agreements:

_____ Agreement dated _____
_____ Agreement dated _____

Limited Kun-Security

Any and all current and future obligations of the Obligor to the Creditor (head office / branches) under or arising from the following types of transactions:

Transaction: _____
Transaction: _____
Transaction: _____

Comprehensive Kun-Security

The following current and future obligations of the Obligor to the Creditor (head office / branches):

- a. Any and all obligations arising from loans on bills, loans on deeds, overdrafts, discounting of bills, payment guarantees, sale/purchase of accounts receivables, bond subscription, lending of securities, foreign exchange transactions and all other credit transactions;
- b. Any obligations to guarantee the transactions between the Creditor and a third party as listed under item a; or
- c. Obligations relating to bills or checks acquired by the Creditor arising from any of the transactions listed under item a. with a third party.

2. Maximum mortgage amount:

- a. *Sixty Billion Won (#60,000,000,000-)*
- b. However, even if the maximum mortgage amount is determined on the basis of the initial amount of claims for the purpose of reducing costs related to the establishment of mortgage, this Agreement shall not be interpreted as a mortgage agreement securing specific obligation by reason thereof.

3. Mortgage Period (Mortgage Settlement Date):

The Creditor explained that the Mortgagor can select one of the following three (3) types of settlement dates, and the Mortgagor selects the date specified below in *To be designated later type* as the settlement date.

Fixed type

yy/mm/dd

Automatically fixed type

Not specified.

If three (3) years have passed from the date of this Agreement, the Mortgagor may designate the mortgage settlement date by providing a written notice, but the settlement date shall not occur earlier than 14 days from the date of Creditor's receipt of the above-mentioned notice, and if less than 14 days notice is given, the settlement date shall be deemed to be the date falling 14 days from the date of the Creditor's receipt of the notice. However, unless the Mortgagor expresses his/her intention before the 5th anniversary of this Agreement, the settlement date shall be the date of the 5th anniversary of the Agreement.

To be designated later type

Not specified.

The Mortgagor may designate the mortgage settlement date by providing a written notice after three (3) years from the date of the Agreement, but the settlement date shall not occur earlier than 14 days from the date of Creditor's receipt of the notice, but if less than 14 days notice is given, the settlement date shall be deemed to be the date falling 14 days from the date of the Creditor's receipt of the notice.

Article 2. Discrepancies between the Mortgaged Property and the Entries in the Official Registry

1. This kun-mortgage shall be effective as per the actual Mortgaged Property even if there are any discrepancies between the actual Mortgaged Property and the descriptions thereof set forth at the end of this Agreement or the entries in the official registry. Upon request from the Creditor for the protection of its rights hereunder, the Mortgagor shall take all necessary measures to correct or amend the registration.
2. If any building located on the mortgaged land is not registered in the official registry or if a new building is built on such land, the Mortgagor shall promptly register the unregistered existing or new buildings and at the same time establish an additional kun-mortgage on such buildings pursuant to Article 1 hereof, upon the Creditor's request for purposes of protecting its rights hereunder.

Article 3. Preservation of the Value of the Mortgaged Property

1. The Mortgagor shall not damage or change the condition of the Mortgaged Property, which may be detrimental to the preservation of the rights of the Creditor, without prior consent of the Creditor.
2. In the case of any destruction of or damage to or public expropriation of the Mortgaged Property or any event materially adversely affecting the value of the Mortgaged Property, the Mortgagor shall promptly notify the Creditor.
3. The Mortgagor shall assign to the Creditor any compensation or indemnity by a third party resulting from the occurrence of any event described in Paragraph 2 above by taking appropriate measures. The proceeds of such compensation or indemnity may be used to satisfy the Obligor's obligations to the Creditor by *mutatis mutandis* application of Article 13 of the General Terms and Conditions for Credit Transactions unless there is any reasonable ground not to do so including provision of other security.

Article 4. Insurance

1. The Mortgagor shall procure insurance on the Mortgaged Property in such amount and form as approved by the Creditor to the extent necessary for the protection of its rights; pledge to the Creditor the rights of the Mortgagor under the insurance; deliver the insurance policy to the Creditor and shall maintain the insurance while the secured obligations are outstanding.
2. The Mortgagor shall promptly notify the Creditor if the Mortgagor obtains a separate insurance contract on the Mortgaged Property in addition to the insurance set forth in Paragraph 1 above, and upon request from the Creditor for the protection of its rights, the Mortgagor shall establish a security right in favor of the Creditor on the rights under the additional insurance contract.
3. If as a result of the Mortgagor's breach of Paragraphs 1 or 2 above, the Creditor obtains or renews an insurance contract and pays the insurance premium on behalf of the Mortgagor in order to protect the Creditor's rights, the Mortgagor and the Obligor shall jointly and severally repay the premiums and other expenses incurred by the Creditor by *mutatis mutandis* application of Article 4 of the General Terms and Conditions for Credit Transactions.
4. The insurance proceeds received by the Creditor pursuant to the insurance referred to in Paragraphs 1 to 3 may be applied to satisfy the obligations to the Creditor by *mutatis mutandis* application of Article 13 of the General Terms and Conditions for Credit Transactions, even before the secured obligations matures, unless there is any reasonable ground not to do so including provision of other security.

Article 5. Superficies, Cheonsekwon or Leasehold

1. If the Mortgaged Property consists solely of a building located on land ("Land") which is subject to a superficies right or right of registered lease on deposit basis ("*Cheonsekwon*") in favor of the Mortgagor, the Mortgagor shall take necessary measures to maintain such superficies right or *Cheonsekwon* by promptly renewing them upon the expiry of their term.
2. If the Land is encumbered with a leasehold right in favor of the Mortgagor as lessee, the Mortgagor shall take necessary measures to maintain such leasehold right by promptly renewing it upon the expiry of its term, and the Mortgagor shall promptly give notice to the Creditor in the event of change in the ownership of the Land and give notice to the Creditor in advance in the event of any amendment of the lease.

3. The Mortgagor shall not take any action which may cause termination, extinguishment or modification of the rights under the superficies, *Cheonsekwon* or leasehold described in Paragraphs 1 and 2. To prevent any possibility of such termination, extinguishment or modification, the Mortgagor shall take appropriate steps to protect such rights. Even if the building is destroyed in its entirety, the Mortgagor shall not terminate such rights voluntarily without the consent of the Creditor.
4. If the insurance proceeds are not sufficient to pay in full the secured obligations after the Mortgaged Property is completely destroyed by fire or by other causes and the Mortgagor does not promptly reconstruct the buildings, the rights under the superficies, *Cheonsekwon* or leasehold may not be disposed of without the consent of the Creditor and the proceeds therefrom may be applied to the balance of the secured obligations by *mutatis mutandis* application of Paragraph 3, Article 3.

Article 6. Disposal and Management etc. of the Mortgaged Property

1. Any disposal of the Mortgaged Property shall in principle be completed pursuant to statutory procedures, *provided, however*, the Creditor may dispose of the Mortgaged Property in such method, time and price, etc. as generally deemed acceptable, upon the consent of the Mortgagor. The proceeds therefrom remaining after deduction of any and all expenses may be applied to the payment of the secured obligations by *mutatis mutandis* application of Article 13 of the General Terms and Conditions for Credit Transactions.
2. Other than the disposal set forth in Paragraph 1 above, the Creditor may manage the Mortgaged Property and apply the proceeds therefrom to the payment of the secured obligations in accordance with Paragraph 1.
3. Due to disappearance of the Mortgagor or other reasons, in the event there arises a concern that the Mortgaged Property may be improperly managed or maintained and will be destroyed, damaged or lost, the Creditor may occupy and manage the Mortgaged Property.
4. The Mortgagor shall cooperate with the Creditor with the disposal or the management of the Mortgaged Property under Paragraphs 1 to 3 without delay.

Article 7. Report on or Inspection of the Mortgaged Property

Upon the Creditor's request, the Mortgagor shall promptly deliver a report on the current status and conditions of the Mortgaged Property to the Creditor or fully cooperate with the Creditor with respect to the inspection of the Mortgaged Property.

Article 8. Further Assurances and Expenses

1. Upon the Creditor's request, the Mortgagor shall promptly take all necessary actions to register the creation, modification, amendment, transfer, assignment or cancellation of the *kun-mortgage*.

2. The Creditor, when making a request under Paragraph 1, shall provide a written explanation in a separate notice to the Obligor and the Mortgagor on the types of costs incurred by the relevant registration and the basis of their calculation. Any costs that the Creditor fails to explain shall not be charged to the Obligor or the Mortgagor, and any explained costs shall be borne in the following manners:
 - a. Expenses for Purchase of national housing bonds: the Obligor or the Mortgagor;
 - b. Registration tax, local education tax, registration application commission and judicial scrivener's fee:
 - i. For registration of creation of kun-mortgage: the Creditor
 - ii. For registration of cancellation of kun-mortgage: the Obligor or the Mortgagor
 - c. Commission for inspection or appraisal of the Mortgaged Property:
 - i. For creation of kun-mortgage: the Creditor
 - ii. For exercise of kun-mortgage due to default by the Obligor: the Obligor or the Mortgagor
 - d. Other costs for which the responsible party is not clear: To be equally borne by the Creditor and the Obligor or the Mortgagor.
3. In the event that the Creditor pays on behalf of the Obligor or the Mortgagor costs and expenses including the costs and expenses under Paragraph 2, costs for possessing or managing the Mortgaged Property, costs for exercising the kun-mortgage due to default of the Obligor, Paragraph 2 of Article 4 of the General Terms and Conditions for Credit Transactions shall apply *mutatis mutandis*.

Article 9. Relationship with Other Security Agreements, Guarantees

1. Any other security or guarantee offered by the Mortgagor to secure the secured obligations shall not be affected by this Agreement unless otherwise agreed and shall be additional to and separate from the security provided under this Agreement.
2. If the Mortgagor provides a joint guarantee while providing security on the same secured obligations as requested by the Creditor due to concerns on decrease of the value of security, when either the joint guarantee or the security is satisfied in whole or in part, the Mortgagor shall be released from the other responsibility for the corresponding satisfied portion, regardless of Paragraph 1.

Article 10. Modification, Termination, Release of Security

The Creditor may amend, terminate or release, as applicable, other securities or guarantees if the Mortgagor consents thereto or if the Creditor determines that the Mortgagor's subrogation right will not be adversely affected by substituting the existing security with an equal or higher value security or the guarantor with another guarantor with comparable financial resources, or the release of the security or the guarantee in proportion to the Obligor's partial payment of the guaranteed or secured obligations.

Article 11. Special Covenants

Mortgagor: (seal)

Description of the Mortgaged Property

Description of the Mortgaged Property
Same as listed in Attachment

Priority

* The Mortgagor is required to read the following and state the answers in his/her handwriting at his/her own discretion on the basis of the facts.

(Example: 1. Received, 2. Informed)

1. Are you certain that you have received a copy of the General Terms and Conditions for Credit Transactions and this Agreement? Received

2. Were you informed of the material terms of the aforementioned General Terms and Conditions for Credit Transactions and this Agreement? Informed

* In case the Mortgagor provides a house as security for a third party, the Mortgagor may withdraw the provision of security within three (3) days including the date of execution of this Agreement.

Also, the Mortgagor may waive the right to withdraw in advance and immediately confirm this Agreement.

If necessary, the Mortgagor is required to state in his/her own handwriting in the following box within the said period.

(Example: Withdrew _____, Waived _____)

Do you withdraw your intent to provide the security? Date:

(When withdrawing, this Agreement will be cancelled and the Mortgagor will not bear liability with regard to the secured obligation. Any expenses incurred with the establishment or cancellation of the security shall be borne by the Mortgagor.)

Do you waive your right to withdraw? Date:

(Waiving your right to withdraw, this Agreement will be immediately confirmed.)

Counselor Title: Name: (seal)

I hereby confirm the registration is made in accordance with this Agreement and receive the certificate of registration.

Date: March 26, 2024
Mortgagor: Magnachip Semiconductor, Ltd. (seal)
15F, 76 Jikji-daero, 436beon-gil Heungdeok-gu,
Cheongju-si, Chungcheongbuk-do, South Korea
Representative Director Young-Joon Kim

<Attachment>

Legal Description of Real Estate Property

1. Land
Identification No[1760-1996-090403]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Factory site 39,574.4m²
2. Land
Identification No[1760-2007-003222]
281-1, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Miscellaneous land 3,812.8m²
3. Land
Identification No[1760-2007-003223]
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Factory site 35,489.7m²
4. Land
Identification No[1760-2007-003218]
282-2, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Miscellaneous land 1,200.4m²
5. Land
Identification No[1760-2009-008403]
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Building land 23,087m²
6. Land
Identification No[1760-2007-003199]
283-8, Imsu-dong, Gumi-si, Gyeongsangbuk-do
Miscellaneous land 1,033.2m²
7. Building
Identification No[1760-1996-091033]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
1-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete 5-story factory building with slab roof
Basement Machine room, electrical room, shelter 4,482m²
1st floor Cafeteria 5,294.75m²

2nd floor Factory 3,327m²
3rd floor Factory 8,982m²
4th floor Factory 8,982m²
5th floor Factory 8,982m²
Rooftop 972m²
Lightweight steel frame single-story storage 12.5m²
Block single-story factory with silicon steel plate roof on truss (Waste storage) 428.40m²
Lightweight steel frame single-story factory with sandwich panel roof (Pump room) 75 m²

8. Building

Identification No[1760-2007-001927]

281, Imsu-dong, Gumi-si, Gyeongsangbuk-do

282, Imsu-dong, Gumi-si, Gyeongsangbuk-do

283, Imsu-dong, Gumi-si, Gyeongsangbuk-do

2-dong

[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do

Reinforced concrete 2-story factory building with slab roof and prefabricated panel roof

1st floor Office and air-conditioning machine room 2,554.15m²

1st floor Factory 1,843.2m²

1st floor Factory 1,479.26m²

1st floor Factory 140.1m²

1st floor Factory (storage) 84.21m²

1st floor Factory (storage) 67.21m²

2nd floor Factory 1,843.2m²

2nd floor Factory 1,354.14m²

Rooftop 115.2m²

9. Building

Identification No[1760-2007-001926]

281, Imsu-dong, Gumi-si, Gyeongsangbuk-do

282, Imsu-dong, Gumi-si, Gyeongsangbuk-do

283, Imsu-dong, Gumi-si, Gyeongsangbuk-do

3-dong

Reinforced concrete 2-story factory building with slab roof

1st floor Factory and office 4,927.6m²

2nd floor Factory and office 599.04m²

1st floor Factory 438.96m²

2nd floor Factory 3,473.2m²

Rooftop 270.76m²

10. Building

Identification No[1760-1996-091031]

281, Imsu-dong, Gumi-si, Gyeongsangbuk-do

282, Imsu-dong, Gumi-si, Gyeongsangbuk-do

283, Imsu-dong, Gumi-si, Gyeongsangbuk-do

4-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete 5-story factory building with slab roof
Basement Dormitory 1,488.34m²
1st floor Dormitory 1435.55m²
2nd floor Dormitory 1,004.495m²
3rd floor Dormitory 1,004.495m²
Rooftop 26.22m²
1st floor Dormitory 410.4m²
2nd floor Dormitory 592.8m²
3rd floor Dormitory 619.02m²
4th floor Dormitory 619.02m²
5th floor Dormitory 619.02m²
Rooftop 78.66m²
2nd floor Dormitory 26.22m²
4th floor Dormitory 978.275m²
5th floor Dormitory 1,004.495m²
Rooftop 93.48m²

11. Building
Identification No[1760-2004-005345]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
5-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete 2-story factory building with slab roof
1st floor Machine room 1,022.44m²
1st floor Machine room 1,075.48m²
2nd floor Machine room 402.14m²
1st floor Boiler room 1,075.92m²
2nd floor Boiler room 374m²

12. Building
Identification No[1760-1996-091034]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
8-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with sandwich panel flat slab roof on truss
Basement Machine room 73.83m²
1st floor Control room 111.60m²

13. Building
Identification No[1760-2004-005344]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
9-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with steel-plate roof
1st floor Dangerous goods storage 288m²
1st floor Dangerous goods storage 377.6m²
14. Building
Identification No[1760-2004-005349]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
10-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with steel-plate roof (Dangerous goods storage) 288m²
15. Building
Identification No[1760-2009-008404]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
11-dong
Reinforced concrete single-story factory building with slate roof (Plating room) 172.8m²
16. Building
Identification No[1760-2004-005412]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
12-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with slab roof
Basement Industrial water tank 421.5m²
1st floor Industrial water tank 13.5m²
17. Building
Identification No[1760-2004-005411]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
13-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Basement of reinforced concrete factory building with slab roof 671.77m²

18. Building
Identification No[1760-2004-005414]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
14-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Lightweight steel frame 2-story factory building with slab roof
1st floor F.A.B storage 83.86m²
2nd floor F.A.B storage 83.86m²
19. Building
Identification No[1760-2007-001929]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
15-dong
Lightweight steel frame single-story factory building with prefabricated panel roof
Security office 324m²
20. Building
Identification No[1760-2004-005350]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
16-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Lightweight steel frame single-story factory building with panel roof on truss 270m²
21. Building
Identification No[1760-1999-007320]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
17-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with prefabricated panel roof 288m²
22. Building
Identification No[1760-2005-008712]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
18-dong
Steel-framed single-story factory with grass wool panel roof (Gym) 1,218.42m²

23. Building
Identification No[1760-2020-000803]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
19-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Reinforced concrete single-story factory building with panel roof (Dangerous goods storage and processing facilities)
1st floor High-pressure gas reservoir 103.5m²

24. Building
Identification No[1760-2022-003006]
281, Imsu-dong, Gumi-si, Gyeongsangbuk-do
282, Imsu-dong, Gumi-si, Gyeongsangbuk-do
283, Imsu-dong, Gumi-si, Gyeongsangbuk-do
20-dong
[Road Name Address] 375, Suchul-daero, Gumi-si, Gyeongsangbuk-do
Steel-framed single-story factory
1st floor Factory (Machine room) 320m²

Notice to Mortgagor

Nature of Mortgage

- A mortgage grants the creditor the right to dispose of all or any part of the mortgaged property in order to satisfy the obligor's obligations, in the event that the obligor fails to repay its obligations owing to the creditor.
- In other words, by mortgaging your real estate to secure other person's obligation, you are assuming a risk of losing your property in the event the obligor's fails to perform its obligations.

Liability per each Type of Security

- "**Security for specific obligation**" only secures specified obligations to be borne by the obligor to the creditor. An extension of maturity, roll-over of credit or replacement with another loan will discharge the security.
- "**Kun-security**" secures any obligations currently outstanding or to be incurred in the future based on current or future transaction agreements between the obligor and the creditor within the maximum mortgage amount. There are three (3) types of kun-security and the scope of liability per each type of kun-security is as follows:
 - ✓ "**Specified kun-security**" secures obligations of the obligor arising from a specified transaction agreement (e.g., credit transaction agreement dated _____) and also secures the obligation upon extension of its maturity. However, roll-over or replacement with another loan will discharge the security.
 - ✓ "**Limited kun-security**" secures any and all obligations of the obligor currently outstanding or to be incurred in the future based on specific type of transaction (e.g., overdraft transaction) either current or future, and also secures the obligation upon extension of its maturity, roll-over and replacement with other credit of the same type. However, replacement with other credit of a different type will discharge the security.
 - ✓ "**Comprehensive kun-security**" secures any and all obligations (inclusive of obligations arising from credit transactions and any other type of obligations) of the obligor currently outstanding or to be incurred in the future and the scope of liability you are assuming is very extensive. Therefore, please carefully decide whether or not to provide this comprehensive kun-security.

Mortgagor as Guarantor

- If a mortgagor also guarantees the obligor's obligations jointly and severally with the obligor, the Bank is entitled to recover from the mortgagor's general property in addition to the mortgaged property.

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

I, Young-Joon Kim, certify that:

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

Dated: May 10, 2024

/s/ Young-Joon Kim

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

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

I, Shin Young Park, certify that:

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

Dated: May 10, 2024

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

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

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

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: May 10, 2024

/s/ Young-Joon Kim

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

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

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

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

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

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: May 10, 2024

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

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

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