
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): July 25, 2006

MAGNACHIP SEMICONDUCTOR LLC

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

333-126019-09
(Commission
File Number)

83-0406195
(IRS Employer
Identification No.)

**c/o MagnaChip Semiconductor S.A., 74, rue de Merl, B.P. 709, L-2017
Luxembourg, Grand Duchy of Luxembourg**
(Address of Principal Executive Offices)

Not Applicable
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On July 26, 2006, MagnaChip Semiconductor LLC (the “Company”) entered into the Fourth Amendment to Credit Agreement (as amended, the “Credit Agreement”), dated as of July 26, 2006 (the “Amendment”), with MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Subsidiary Guarantors party thereto, the Lenders party thereto (the “Lenders”), UBS AG, Stamford Branch, as administrative agent and collateral agent (the “Agent”), and U.S. Bank National Association (“US Bank”).

Under the Amendment, among other things, (i) the Company agreed to furnish to the Agent and the Lenders monthly financial statements along with an officer’s certificate with respect to the occurrence of any events of default under the Credit Agreement, (ii) certain restrictions were imposed on the ability of the Company and its subsidiaries to make acquisitions and capital expenditures, (iii) the financial covenants set forth in Section 6.10 of the Credit Agreement were revised, (iv) the schedule of applicable margins under the Credit Agreement was revised, (v) the Lenders, the Agent and US Bank waived certain defaults and obligations, and (vi) the Agent consented to the Company’s voting in favor of increasing the share capital of one of the Company’s subsidiaries. The foregoing description does not purport to be complete and is qualified in its entirety by reference to the text of the Amendment, which is attached hereto as Exhibit 10.3.d to this report and is incorporated herein by reference.

Item 2.02. Results of Operations and Financial Condition.

Attached hereto as Exhibit 99.1 and incorporated by reference herein is financial information for the Company and its consolidated subsidiaries for the quarter ended July 2, 2006, as presented in a press release dated July 27, 2006.

Item 2.06. Material Impairments.

In connection with the preparation of the Company’s financial statements for the period ended July 2, 2006, the Company’s management performed an impairment review of one of the Company’s fabrication facilities (the “Fab”) and certain related technology and customer-based intangible assets (the “asset group”) in accordance with Statement of Financial Accounting Standards (“SFAS”) 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Based on management’s conclusion that the carrying amount of the asset group exceeded its fair value, on July 25, 2006, the Audit Committee of the Company’s Board of Directors approved management’s recording of an impairment charge in the amount of \$92.5 million which is included in the Company’s consolidated results of operations for the quarter ended July 2, 2006. The net book value of the asset group before the impairment charge was approximately \$186 million.

SFAS 144 requires the Company to evaluate the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. From the fourth quarter of 2005 through the end of March 2006, the capacity utilization of the Fab was under the level that the Company believes to be normal, primarily due to a transition in product mix coupled with a seasonal decrease in market demand, which the Company deemed to be temporary and recoverable. However, in the second quarter of 2006, management determined, based on revised forecasting, that the projected demand for certain of its products was significantly less than previously forecasted and that this decline was not temporary or seasonal. Therefore, the Company assessed whether there had been a material impairment on the assets of the Fab pursuant to SFAS 144.

Item 9.01. Financial Statements and Exhibits.**(c) Exhibits.**

The following exhibits are furnished as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
10.3.d	Fourth Amendment to Credit Agreement, dated as of July 26, 2006, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, and U.S. Bank National Association.
99.1	Press release for MagnaChip Semiconductor LLC dated July 27, 2006, announcing the results for the second quarter ended July 2, 2006.

SIGNATURE

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 hereunto duly authorized.

MAGNACHIP SEMICONDUCTOR LLC

Dated: July 27, 2006

^u /s/ Sang Park
Sang Park
Chief Executive Officer and President

Exhibit Index

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99.1	Press release for MagnaChip Semiconductor LLC dated July 27, 2006, announcing the results for the second quarter ended July 2, 2006.

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (as the same may be amended, restated, supplemented, extended or otherwise modified from time to time, this “**Amendment**”) is entered into as of July 26, 2006, by and among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 74, rue de Merl, B.P. 709, L-2017 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483 (“**Luxco**”), MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (together with Luxco, “**Borrowers**”), MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company (“**Holdings**”), the Subsidiary Guarantors listed on the signature pages hereto (each of Borrowers, Holdings and Subsidiary Guarantors are sometimes referred to herein as a “**Loan Party**” and, collectively, as the “**Loan Parties**”), the Lenders, UBS AG, STAMFORD BRANCH, as administrative agent (in such capacity, “**Administrative Agent**”) for the Lenders and as collateral agent (in such capacity, “**Collateral Agent**” and together with the Administrative Agent, the “**Agents**” and each an “**Agent**”) for the Secured Parties and the Issuing Bank, and U.S. Bank National Association, a national association duly organized and existing under the federal laws of the United States of America (“**US Bank**”).

RECITALS

A. The Borrowers, Holdings, Subsidiary Guarantors, UBS Securities LLC, as lead arranger, as documentation agent and as syndication agent, UBS Loan Finance LLC, as swingline lender, Korea Exchange Bank, as issuing bank and Agents are parties to that certain Credit Agreement dated as of December 23, 2004 (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”). MagnaChip Semiconductor, Ltd., a limited liability company organized under the laws of the Republic of Korea, and US Bank, as Collateral Trustee (“**Collateral Trustee**”), have entered into the Accounts Receivable Assignment Agreement dated as of December 23, 2004 (as amended, the “**A/R Agreement**”). Holdings, Luxco and UBS AG, Stamford Branch, have entered into the Pledge Agreement relating to 10,159 Shares of MagnaChip Semiconductor S.A., dated December 23, 2004 (as amended, the “**Luxco Pledge Agreement**”). Unless otherwise specified herein, all capitalized terms used in this Amendment shall have the meanings ascribed to them in the Credit Agreement.

B. The Borrowers have requested that the Agents and the Required Lenders (i) amend Sections 5.01, 6.07(f), 6.10(a), (b) and (c) and Annex I of the Credit Agreement and add a new Section 6.10(d) to the Credit Agreement upon the terms and subject to the conditions as herein set forth and waive various Events of Default related thereto; (ii) waive, and instruct the Collateral Trustee to waive, certain obligations set forth in the A/R Agreement and Section 5.01(j) of the Credit Agreement; and (iii) consent to the taking of certain actions under the Luxco Pledge Agreement.

NOW, THEREFORE, in consideration of the foregoing, the covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to and Waiver of Provisions in Credit Agreement, A/R Agreement and Luxco Pledge Agreement.

(a) Section 5.01 of the Credit Agreement is hereby amended by adding a new clause (l) thereto, which shall read as follows:

“(l) Monthly Reports. As soon as available and in any event within 20 days after the end of each fiscal month of each fiscal year (except with respect to any months for which quarterly or yearly financial statements are prepared), beginning with the fiscal month ending July 31, 2006, the consolidated balance sheet of Holdings as of the end of such fiscal month and related consolidated statements of income and cash flows for such fiscal month and for the then elapsed portion of the fiscal year, in comparative form with (i) the budget delivered pursuant to Section 5.01(g) in respect of such fiscal month and such then elapsed portion of such fiscal year and (ii) the consolidated statements of income and cash flows for the comparable periods in the previous fiscal year, and notes thereto (including, with respect to any Subsidiary of Holdings that is not a Subsidiary Guarantor, and each other Subsidiary of Holdings for which such note is required to be prepared pursuant to the requirements of applicable law or GAAP, a note with a consolidating balance sheet and financial statement of income and cash flows separating out each such Subsidiary) and accompanied by a certificate of a Financial Officer of a Loan Party certifying that no Event of Default has occurred or, if such Event of Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto, and also stating that such financial statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of Holdings as of the date and for the periods specified in accordance with GAAP consistently applied, and on a basis consistent with audited financial statements referred to in clause (a) of this Section, subject to normal year-end audit adjustments.”

(b) Section 6.07(f) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(f) Permitted Acquisitions; *provided, however*, that no such Permitted Acquisition shall be permitted on or after July 26, 2006 until such time as the Total Leverage Ratio on the last day of the fiscal quarter ended immediately prior to the date of such proposed Permitted Acquisition is less than 4.700 to 1.0.”

(c) Sections 6.10(a), (b) and (c) of the Credit Agreement are each hereby amended and restated in their entirety to read as follows:

“(a) Maximum Total Leverage Ratio. Permit the Total Leverage Ratio, at the last day of each fiscal quarter during any period set forth in the table below, to exceed the ratio set forth opposite such period in the table below:

<u>Test Period</u>		<u>Leverage Ratio</u>
Closing Date	- December 31, 2005	5.100 to 1.0
January 1, 2006	- March 31, 2006	4.700 to 1.0
April 1, 2006	- June 30, 2006	4.850 to 1.0
July 1, 2006	- September 30, 2006	6.850 to 1.0
October 1, 2006	- December 31, 2006	4.700 to 1.0
January 1, 2007	- September 30, 2007	4.500 to 1.0
October 1, 2007	- December 31, 2007	4.250 to 1.0
January 1, 2008	- December 31, 2008	3.200 to 1.0
January 1, 2009 and thereafter		2.625 to 1.0

(b) Minimum Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio, for any Test Period ending during any period set forth below, to be less than the ratio set forth opposite such period in the table below:

<u>Test Period</u>		<u>Interest Coverage Ratio</u>
Closing Date	- December 31, 2005	2.500 to 1.0
January 1, 2006	- March 31, 2006	3.000 to 1.0
April 1, 2006	- September 30, 2006	2.000 to 1.0
October 1, 2006	- December 31, 2006	3.000 to 1.0
January 1, 2007	- September 30, 2007	3.150 to 1.0
October 1, 2007	- December 31, 2007	3.300 to 1.0
January 1, 2008	- December 31, 2008	4.500 to 1.0
January 1, 2009 and thereafter		5.250 to 1.0

(c) Minimum Interest Coverage Ratio (Excluding CapEx). Permit the Consolidated Interest Coverage Ratio (Excluding CapEx), for any Test Period ending during any period set forth in the table below, to be less than the ratio set forth opposite such period in the table below:

<u>Test Period</u>		<u>Interest Coverage Ratio (Excluding CapEx)</u>
Closing Date	- December 31, 2005	1.000 to 1.0
January 1, 2006	- June 30, 2006	1.400 to 1.0
July 1, 2006	- September 30, 2006	0.875 to 1.0
October 1, 2006	- December 31, 2006	1.400 to 1.0
January 1, 2007	- June 30, 2007	1.500 to 1.0
July 1, 2007	- December 31, 2007	1.600 to 1.0
January 1, 2008	- December 31, 2008	2.000 to 1.0
January 1, 2009 and thereafter		3.750 to 1.0

(d) A new clause (d) is hereby added to Section 6.10 of the Credit Agreement, which reads as follows:

“(d) Capital Expenditure Limit. Make Capital Expenditures during the following periods that exceed the aggregate amounts set forth opposite each of such periods:

<u>Period</u>	<u>Capital Expenditures</u>
January 1, 2006 - September 30, 2006	\$ 45,000,000
October 1, 2006 - December 31, 2006	\$ 55,000,000

(e) Annex I to the Credit Agreement (relating to the Applicable Margin) is hereby amended and restated in its entirety by replacing it with Annex I to this Amendment.

(f) Letters of Credit have been issued by Korean Exchange Bank as Issuing Bank between July 1, 2006 and the date hereof, as more specifically identified below:

<u>Issue Date</u>	<u>LC Number</u>	<u>Value Date</u>	<u>Currency</u>	<u>Amount</u>
July 3	M06EB607XS00018	September 1	USD	61,926
July 5	M06EB607XS00025	September 4	USD	49,632
July 10	M06EB607BS00018	August 9	USD	33,442
July 10	M06EB607BU00018	October 9	USD	220,000
July 10	M06EB607BU00025	October 9	USD	440,000
July 10	M06EB607NS00096	August 9	JPY	15,936,200
July 10	M06EB607XS00032	September 9	USD	20,300
July 10	M06EB607XS00040	September 30	USD	74,404
July 11	M06EB607BS00025	August 10	JPY	700,000
July 11	M06EB607BU00032	September 10	JPY	1,122,000
July 11	M06EB607BU00040	August 10	JPY	914,000
July 11	M06EB606NS00096	August 10	JPY	271,900
July 13	M06EB607BU00057	October 12	USD	126,080
July 14	M06EB607BU00064	October 13	JPY	984,000
July 14	M06EB607BU00071	October 13	JPY	1,920,000
July 14	M06EB607BU00089	October 13	JPY	1,122,000
July 14	M06EB607BU00096	October 13	JPY	984,000
July 14	M06EB607BU00107	October 13	JPY	2,496,000
July 18	M06EB607BS00032	August 17	USD	10,370
July 18	M06EB607BS00040	August 17	USD	10,105
July 18	M06EB607BU00114	October 17	JPY	1,898,000
July 18	M06EB607BU00121	October 17	JPY	984,000
July 18	M06EB607NS00139	August 17	JPY	1,250,000
July 18	M06EB607NS00146	August 17	JPY	1,372,000
July 19	M06EB607BS00057	September 18	JPY	2,080,000

To the extent that the request for or the issuance of such Letters of Credit (or any Letters of Credit requested or issued after the date hereof until the Effective Date) occurred at a time after the occurrence of an Event of Default that was caused by virtue of non-compliance with any of the covenants which are being amended hereby, the separate Default or Event of Default that occurred as a result of the request or issuance of such Letters of Credit is hereby waived; provided that the foregoing waiver shall not be deemed (i) a waiver of any other Default or Event of Default which has occurred, exists or hereafter may occur under the Credit Agreement or any other Loan Document, or (ii) to establish a custom or course of dealing among the Administrative Agent, Collateral Agent, Lenders, Borrowers, other Loan Parties or any of them.

(g) The Agents and Lenders hereby waive, the Required Lenders hereby instruct the Collateral Trustee to waive, and the Collateral Trustee hereby waives, the obligations set forth in the A/R Agreement and Section 5.01(j) of the Credit Agreement, insofar as they relate to any agreements or transactions involving accounts in the aggregate amount outstanding at any time not to exceed \$250,000 owing from KEC Corporation or any of its Affiliates, or any right, title, claim, interest, benefit or sum arising in respect thereof.

(h) Notice is hereby given that Holdings intends to vote in favor of increasing the share capital of Luxco by 10,482 shares. In accordance with Section 11(C) of the Luxco Pledge Agreement, UBS AG, Stamford Branch, as pledgee ("Pledgee") under the Luxco Pledge Agreement, hereby acknowledges and consents to the taking of such action by Holdings; *provided, however*, that such consent shall not be effective until Holdings has provided Pledgee with prior written notice of the date on which such increase in share capital shall occur and made arrangements reasonably acceptable to the Pledgee to pledge such additional share capital and, if applicable, deliver to Pledgee all certificates representing such share capital within ten (10) days after such issuance.

SECTION 2. Acknowledgement by Borrowers of Obligations.

The Borrowers hereby acknowledge, confirm, and agree that as of the close of business on July 2, 2006, (a) the Borrowers are not indebted to the Lenders in respect of the Revolving Loans and (b) the Borrowers are indebted to the Lenders in respect of the Letters of Credit in the principal amount of approximately \$11,837,495.06 (subject to currency exchange fluctuations and reductions for any Letters of Credit which are drawn and reimbursed after July 2, 2006).

SECTION 3. Representations, Warranties and Covenants of Loan Parties. To induce the Agents and Lenders to execute and deliver this Amendment, each of the Loan Parties represent, warrant and covenant that:

(a) The execution, delivery and performance by the Loan Parties of this Amendment and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents have been duly authorized, and this Amendment and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents are legal, valid and binding obligations of the Loan Parties enforceable against the Loan Parties in accordance with their respective terms, except as the enforcement thereof may be subject to (i) the effect of any

applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) After giving effect to this Amendment, each of the representations and warranties made by or on behalf of such Loan Party to either Agent or any Lender in any of the Loan Documents was true and correct when made and in all material respects is true and correct on and as of the date of this Amendment with the same full force and effect as if each of such representations and warranties had been made by such Loan Party on the date hereof and in this Amendment, and each of the agreements and covenants in the Credit Agreement and the other Loan Documents is hereby reaffirmed with the same force and effect as if each were separately stated herein and made as of the date hereof;

(c) Neither the execution, delivery and performance of this Amendment and all documents and instruments delivered in connection herewith nor the consummation of the transactions contemplated hereby or thereby does or shall contravene, result in a breach of, or violate (i) any provision of any Loan Party's corporate charter, bylaws, operating agreement, purchase agreement, or other governing documents, (ii) any law or regulation, or any order or decree of any court or government instrumentality, or (iii) any indenture, mortgage, deed of trust, lease, agreement or other instrument to which any Loan Party is a party or by which any Loan Party or any of its property is bound;

(d) Agents' and Lenders' security interests in the Collateral continue to be valid, binding, and enforceable first-priority security interests which secure the Obligations (subject only to any Liens permitted under the Loan Documents), and no tax or judgment liens are currently of record against any Loan Party or any Subsidiary thereof; and

(e) The recitals to this Amendment are true and correct.

SECTION 4. Reference to and Effect Upon the Credit Agreement.

(a) Except as specifically set forth herein, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement or any other Loan Documents, and all rights of Agents and Lenders and all of the Obligations, shall remain in full force and effect; *provided* that in the event of a conflict between the terms and provisions of the Credit Agreement or any other Loan Documents (other than this Amendment), the terms and provisions of the Credit Agreement (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time) shall control. Each Loan Party hereby confirms that the Credit Agreement and the other Loan Documents are in full force and effect and that neither such Loan Party nor any of its Subsidiaries has any defenses, setoffs, claims, or counterclaims to the Obligations under the Credit Agreement or any other Loan Documents.

(b) Except as expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not directly or indirectly (i) constitute a consent or waiver of any past, present or future violations of any provisions of the Credit Agreement or any other Loan Documents, (ii) amend, modify or operate as a waiver of any provision of the Credit Agreement or any other Loan Documents or any right, power or remedy of any Agent or any Lender thereunder, or (iii) constitute a course of dealing or other basis for altering any Obligations or any other contract or instrument. Except as expressly set forth herein, each of the Agents and Lenders reserves all of its rights, powers, and remedies under the Credit Agreement, the other Loan Documents, and/or applicable law. All of the provisions of the Credit Agreement and the other Loan Documents, including, without limitation, the time of the essence provisions, are hereby reiterated, and if ever waived, reinstated.

(c) Upon the effectiveness of this Amendment, all references to the Credit Agreement in any Loan Document shall mean and be a reference to the Credit Agreement, as amended hereby, and the term “Loan Documents” shall include, without limitation, this Amendment.

SECTION 5. Costs and Expenses. Each of the Borrowers and the other Loan Parties agrees jointly and severally to reimburse Agents and Lenders for all reasonable fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Amendment and the other agreements and documents executed in connection herewith.

SECTION 6. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

SECTION 8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Amendment by delivering by facsimile transmission a signature page of this Amendment signed by such party, and any such facsimile signature shall be treated in all respects as having the same effect as an original signature. Any party delivering by facsimile transmission a counterpart executed by it shall promptly thereafter also deliver a manually signed counterpart of this Amendment.

SECTION 9. Time of Essence. Time is of the essence in the payment and performance of each of the obligations of any of the parties hereunder and with respect to all conditions to be satisfied by such party.

SECTION 10. Further Assurances. Each Loan Party agrees to take, and to cause its Subsidiaries to take, all further actions and to execute and deliver, and to cause its Subsidiaries to execute and deliver, all further documents as the Agents, or either of them, may from time to time reasonably request to carry out the transactions contemplated by this Amendment.

SECTION 11. Effectiveness. This Amendment shall become effective at the time (the “**Effective Date**”) that all of the following conditions precedent have been met (or waived) as determined by the Required Lenders in their sole discretion (as evidenced by the Required Lenders’ execution and delivery of this Amendment):

(a) Agreement. Duly executed signature pages for this Amendment signed by the Required Lenders and Loan Parties shall have been delivered to Administrative Agent.

(b) Representations and Warranties. The representations and warranties contained herein shall be true and correct in all material respects, and no Event of Default or Default shall exist on the date hereof.

(c) Payment of Commitment Fees and Letter of Credit Fees. All outstanding Commitment Fees and Fees related to any of the Letters of Credit shall each have been paid in cash to the Administrative Agent.

(d) Amendment Fee. The Borrowers shall have paid to the Administrative Agent, for the ratable benefit of each Lender that has executed and delivered this Amendment, an amendment fee of 20 basis points times the amount of each such Lender's Commitment.

(e) Expenses. All of the expenses owing the Agents under Section 10.03 of the Credit Agreement shall have been paid in full.

*** Signature Pages Follow ***

IN WITNESS WHEREOF, this Fourth Amendment to Credit Agreement has been executed by the parties hereto as of the date first written above.

MAGNACHIP SEMICONDUCTOR S.A., a
Luxembourg company

By: /s/ Dipanjan Deb

Name: Dipanjan Deb

Title: Director

MAGNACHIP SEMICONDUCTOR FINANCE
COMPANY, a Delaware limited liability
company

By: /s/ Dipanjan Deb

Name: Dipanjan Deb

Title: Director

MAGNACHIP SEMICONDUCTOR LLC, a
Delaware limited liability company

By: /s/ Robert Krakauer

Name: Robert Krakauer

Title: Executive Vice President, Corporate
Operations, and CFO

SUBSIDIARY GUARANTORS

MAGNACHIP SEMICONDUCTOR, INC., a
California corporation

By: /s/ Jason Hartlove

Name: Jason Hartlove

Title: President

MAGNACHIP SEMICONDUCTOR SA
HOLDINGS LLC, a Delaware limited liability
company

By: /s/ Dipanjan Deb
Name: Dipanjan Deb
Title: Director

MAGNACHIP SEMICONDUCTOR LIMITED,
a company incorporated in England and Wales
with registered number 05232381

By: /s/ Robert Krakauer

Name: Robert Krakauer

Title: Director

MAGNACHIP SEMICONDUCTOR, INC.,
a Japanese company

By: /s/ Robert Krakauer
Name: Robert Krakauer
Title: Representative Director

For execution as a deed:

EXECUTED AS A DEED by)
)
as duly appointed attorney)
pursuant to a power of attorney)
dated)
for and on behalf of)
MAGNACHIP SEMICONDUCTOR)
LIMITED)
in the presence of:)

Witness: _____
Name: _____
Address: _____

Witness: _____
Name: _____
Address: _____

For execution otherwise than as a deed:

SIGNED by)
)
/s/ Robert Krakauer)
_____)
as duly appointed attorney)
pursuant to a power of attorney)
dated)
for and on behalf of)
MAGNACHIP SEMICONDUCTOR)
LIMITED)
in the presence of:)

Witness: /s/ John McFarland
Name: John McFarland
Address: 891 Daechi-dong, Gangnam-Gu
Seoul Korea

CERTIFICATION LANGUAGE

I, the undersigned, being a director of MagnaChip Semiconductor Limited, do hereby certify that this document is a true and complete copy of its original.

/s/ Robert Krakauer
Robert Krakauer
Date: July 26, 2006

MAGNACHIP SEMICONDUCTOR, LTD.,
a Taiwan company

By: /s/ Robert Krakauer
Name: Robert Krakauer
Title: Director

MAGNACHIP SEMICONDUCTOR B.V.

By: /s/ Robert Krakauer

Name: Robert Krakauer

Title: Director

MAGNACHIP SEMICONDUCTOR
HOLDING COMPANY LIMITED, a British
Virgin Islands company

By: /s/ John McFarland

Name: John McFarland

Title: Director

IC MEDIA INTERNATIONAL
CORPORATION, a Cayman Islands company

By: /s/ John McFarland
Name: John McFarland
Title: Director

IC MEDIA TECHNOLOGY CORPORATION,
a Taiwan company

By: /s/ John McFarland
Name: John McFarland
Title: Director

SOLEY FOR THE PURPOSE OF AGREEING
TO SECTION 1.(G) HEREOF

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Thomas E.Tabor

Name: Thomas E.Tabor

Title: Vice President

UBS AG, STAMFORD BRANCH, as Administrative Agent
and Collateral Agent

By: /s/ Richard L. Tavrow

Name: Richard L. Tavrow

Title: Director

Banking Products Services. US

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director

Banking Products Services. US

UBS LOAN FINANCE LLC, as Swingline Lender

By: /s/ Richard L. Tavrow

Name: Richard L. Tavrow

Title: Director

Banking Products Services. US

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director

Banking Products Services. US

GOLDMAN SACHS CREDIT PARTNERS, L.P.

By: /s/ Pedro Ramirez

Name: Pedro Ramirez

Title: Authorized Signatory

CITICORP NORTH AMERICA, INC.

By: /s/ Suzanne Crymes

Name: Suzanne Crymes

Title: Vice President

JPMORGAN CHASE BANK N.A.

By: /s/ John Kowalezuk

Name: John Kowalezuk

Title: Vice President

DEUTSCHE BANK TRUST COMPANY
AMERICAS

By: /s/ Paul O'Leary

Name: Paul O'Leary

Title: Vice President

By: /s/ Marcus M. Tarkington

Name: Marcus M. Tarkington

Title: Director

Applicable Margin

Total Leverage Ratio	Revolving Loans	
	Eurodollar	ABR
Level I ≤ 3.0:1.0	2.00%	1.00%
Level II >3.0:1.0 but ≤4.0:1.0	2.50%	1.50%
Level III >4.0:1.0 ≤5.0:1.0	3.25%	2.25%
Level IV >5.0:1.0 ≤5.5:1.0	4.00%	3.00%
Level V >5.5:1.0	4.75%	3.75%

Each change in the Applicable Margin or Applicable Fee resulting from a change in the Total Leverage Ratio shall be effective with respect to all Loans and Letters of Credit outstanding on and after the date of delivery to the Administrative Agent of the financial statements and certificates required by Section 5.01(a) or (b), respectively, indicating such change until the date immediately preceding the next date of delivery of such financial statements and certificates indicating another such change. Notwithstanding the foregoing, (i) the Total Leverage Ratio shall be deemed to be in Level II from the Closing Date to the date of delivery to the Administrative Agent of the financial statements and certificates required by Section 5.01(a) or (b) for the fiscal period ended at least six months after the Closing Date, (ii) the Total Leverage Ratio shall be deemed to be in Level V at any time during which Borrower has failed to deliver the financial statements and certificates required by Section 5.01(a) or (b), respectively, and at any time during the existence of an Event of Default.



*MagnaChip Semiconductor Reports
Second Quarter Results*

Seoul, South Korea, July 27, 2006 – MagnaChip Semiconductor today announced results for the second quarter ended July 2, 2006.

Revenue for the three months ended July 2, 2006 was \$197.6 million, compared to \$236.0 million in the second quarter of 2005.

Gross margin was \$20.3 million or 10.3% of revenue for the quarter ended July 2, 2006, compared to \$60.4 million or 25.6% of revenue for the second quarter of 2005.

Operating expenses were \$149.6 million in the current quarter. This included restructuring and impairment charges of \$93.7 million. The impairment was made to one of the Company's wafer fabrication facilities that has been significantly under-utilized and related customer intangibles. Excluding the restructuring and impairment charges, operating expenses for the second quarter of 2006 were \$55.9 million or 28.3% of revenue, compared to \$57.4 million or 24.3% of revenue, which excluded special charges during the second quarter of 2005. Operating loss was \$129.3 million during the quarter. Excluding the restructuring and impairment charges, the operating loss for the second quarter of 2006 was \$35.6 million compared to an operating income of \$3.0 million before special charges in the prior year's second quarter.

Net interest expense for the second quarter of 2006 was \$14.4 million, compared to \$14.0 million in the second quarter of 2005. Net loss for the three months ended July 2, 2006 was \$132.1 million. Excluding the restructuring and impairment charges, the loss was \$38.4 million, compared to a net loss of \$22.2 million excluding special charges in the prior year's second quarter.

Sang Park, President and CEO of MagnaChip Semiconductor, commented, "This was a disappointing quarter due to pricing pressures seen across the entire industry, higher channel inventory levels and due to company-specific execution issues. I joined the company during such a difficult quarter because of my confidence in MagnaChip's growth prospects. We have a strong employee base, with good potential in our technology and product portfolio, world-class customers and significant capacity in our manufacturing facilities. As a result, the company's recent performance is not acceptable and we are targeting dramatic actions in the second half of 2006 that will result in improved financial results in the future. In my first thirty days, we have launched aggressive corrective actions for the business going forward that stress a renewed sense of urgency and accountability. I am confident that we are taking the right steps."

"We are more focused than ever before on executing the turnaround of our revenue through execution of new product introduction ramps that we have in progress and expansion of our

foundry services. Our 2 Megapixel CMOS image sensor SOC and our high-performance 1.3 Megapixel CMOS image sensor SOC have passed important qualification milestones with key customers, and we expect volume from these products to ramp in the fourth quarter and into 2007. We believe that our recovery in this key market has begun. The end market for display driver IC's had lower sell through of product than expected. As a result, we will be working through inventory issues in the channel into the next quarter. Our wafer foundry business continues to show stable growth, and we expect to expand our 0.18 process geometry services to Analog customers into the fourth quarter."

Robert Krakauer, EVP of Corporate Operations and CFO of MagnaChip Semiconductor, said, "The gross margin decline in the second quarter was primarily due to the lower revenue level compounded by industry-wide pricing pressure and a product mix that skewed toward lower margin products. The infrastructure we have in place is designed to support a multi-billion dollar revenue per year company, not one generating below \$200 million a quarter. As part of the changes we are making, we have made key changes in our sales organization to more adequately support our second half ramp strategy. We expect that as our company's performance regains the revenue growth momentum in-line with our leadership position and historic levels, our profitability will return to higher historic levels as well."

Third Quarter 2006 Outlook

For the third quarter of 2006, the Company expects revenues to be approximately 6% to 9% lower compared to the second quarter given inventory issues in our end markets, with flat gross margins.

Investor Conference Call / Webcast Details

MagnaChip will report full results for the second quarter 2006 on Thursday, July 27, 2006 at 10:00 a.m. in New York (11:00 p.m., Thursday, July 27 in Seoul). The conference call will be available at www.magnachip.com and by telephone at +1-(201) 689-8560. A replay of the call will be available in two hours after the call through midnight on Thursday, August 3, 2006 in New York (noon on Friday, August 4, 2006 in Seoul) at www.magnachip.com and by telephone at +1-(201) 612-7415. The account number to access the replay is 3055 and the conference ID number is 206378, respectively.

About MagnaChip Semiconductor

MagnaChip Semiconductor is a leading designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. We focus on CMOS image sensors and flat panel display drivers, which are complex, high performance, mixed signal semiconductors that capture images and enable and enhance the features and capabilities of both small and large flat panel displays. MagnaChip also provides wafer foundry services utilizing CMOS high voltage, embedded memory, analog and power process technologies for the manufacture of IC's for customer-owned designs. MagnaChip has world-class manufacturing capabilities and an extensive portfolio of approximately 11,900 registered and pending patents. As a result, MagnaChip is a valued partner in providing leading technology solutions to its customers worldwide. For more information, visit www.magnachip.com.

Forward-Looking Statements:

Certain statements in this press release including statements regarding expected future financial and industry growth are forward-looking statements that involve a number of risks and uncertainties that could cause actual results to differ materially. In some cases, you can identify forward-looking statements by such terms as "believes," "expects," "anticipates," "intends," "estimated," the negative of these terms, or other comparable terminology. Factors that could cause actual results to differ include general business and economic conditions and the state of the semiconductor industry; demand for end-use products by consumers and inventory levels of such products in the supply chain; changes in demand from significant customers; changes in customer order patterns; changes in product mix; capacity utilization; level of competition; pricing pressure and declines in average selling price; delays in new product introduction;

continued success in technological innovations and delivery of products with the features customers demand; shortage in supply of materials or capacity requirements; availability of financing; exchange rate fluctuations; litigation and other risks as described in the Company's SEC filings, including its quarterly report on Form 10-Q for the quarter ended April 2, 2006.

Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements.

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MagnaChip Semiconductor
Condensed Consolidated Income Statements
(In thousands of U.S. Dollars, except unit data)
(Unaudited)

	Three Months Ended	
	July 2, 2006	July 3, 2005
Net sales	\$ 197,613	\$ 236,023
Cost of sales	177,342	175,619
Gross profit	20,271	60,404
Operating expenses:		
Selling, general and administrative	22,025	32,518
Research and development	33,934	27,488
Restructuring and impairment charges	93,684	8,720
Operating loss	(129,372)	(8,322)
Other income (expenses):		
Interest expenses, net	(14,352)	(13,991)
Foreign currency gain (loss), net	14,520	(12,795)
Income (Loss) before income taxes	(129,204)	(35,108)
Income tax expenses (benefits)	2,859	(1,624)
Net loss	\$ (132,063)	\$ (33,484)
Dividends accrued on preferred units	2,706	2,478
Net loss attributable to common units	\$ (134,769)	\$ (35,962)
Net loss per common unit		
Basic and Diluted	(2.54)	(0.68)
Common units used in per common unit calculation: Basic and Diluted (in thousands)	53,099	52,982
Key Ration & Information:		
Gross Margin	10.3%	25.6%
Operating Expenses as a % of Revenue	75.7%	29.1%
Operating Margin	(65.5%)	(3.5%)
Depreciation & Amortization Expense	52,205	51,478
Capital Expenditures	6,271	6,490

MagnaChip Semiconductor

Reconciliation of US GAAP Gross Profit, Operating Income (Loss) and Net Income (Loss) to Non-US GAAP Gross Profit, Operating Income (Loss) and Net Income (Loss) (In thousands of US Dollars) (Unaudited)

Use of Non-US GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a US GAAP basis, MagnaChip Semiconductor uses non-US GAAP measures of gross profit, operating income (loss) and net income (loss), that are US GAAP gross profit, operating income (loss) and net income (loss) adjusted to exclude certain costs, expenses or gains, referred to as special items. Non-US GAAP adjusted gross profit, operating income (loss) and net income (loss) measure give an indication of our baseline performance before other charges that are considered by management to be outside of our core operating results. In addition, our non-US GAAP adjusted measure of gross profit, operating income (loss) and net income (loss) are among the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information should not be considered in isolation or as a substitute for gross profit, operating income (loss) and net income (loss) prepared in accordance with generally accepted accounting principles in the United States of America.

	Three Months Ended July 2, 2006			Three Months Ended July 3, 2005		
	Gross Profit	Operating Income (Loss)	Net Income (Loss)	Gross Profit	Operating Income (Loss)	Net Income (Loss)
US GAAP Amounts	\$20,271	\$(129,372)	\$(132,063)	\$60,404	\$ (8,322)	\$ (33,484)
Special items						
(1) Restructuring and impairment charges	—	93,684	93,684	—	8,720	8,720
(2) IPR&D amortization	—	—	—	—	2,605	2,605
Total special items	—	93,684	93,684	—	11,325	11,325
Non-US GAAP Profit	\$20,271	\$ (35,688)	\$ (38,379)	\$60,404	\$ 3,003	\$ (22,159)
Adjusted Gross Margin			10.3%			25.6%
Adjusted Operating Expense - % of Revenue			28.3%			24.3%
Adjusted Operating Margin			(18.1)%			1.3%

Non-US GAAP adjusted condensed consolidated statements of operations are intended to present the Company's operating results, excluding special items. The special items excluded for the three months ended July 2, 2006 and July 3, 2005 are as follows:

- (1) Restructuring and impairment charges during the three months ended July 2, 2006 represent asset impairment charges on one of the Company's fabrication facilities and restructuring charges associated with changes in certain management. Restructuring and Impairment charges taken during the three months ended July 3, 2005 include charges from headcount reduction and asset impairment.
- (2) IPR&D recorded in purchase accounting which was expensed immediately.

MagnaChip Semiconductor
Condensed Consolidated Balance Sheets
(In thousands of US Dollars)
(Unaudited)

	July 2, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 86,488	\$ 86,574
Accounts receivable, net	95,990	112,053
Inventories, net	62,157	88,677
Other current assets	20,602	22,486
Total current assets	265,237	309,790
Property, plant and equipment, net	382,865	485,077
Goodwill and intangible assets	153,367	191,389
Other non-current assets	57,120	54,391
Total assets	<u>\$ 858,589</u>	<u>\$ 1,040,647</u>
Liabilities & Unitholders' Equity		
Current liabilities		
Accounts and other payable	\$ 78,234	\$ 129,279
Other current liabilities	33,266	39,070
Total current liabilities	111,500	168,349
Long-term borrowings	750,000	750,000
Other non-current liabilities	65,095	62,320
Total liabilities	926,595	980,669
Redeemable convertible preferred units	111,801	106,462
Unitholders equity	<u>(179,807)</u>	<u>(46,484)</u>
Total liabilities, redeemable convertible preferred units and unitholders' equity	<u>\$ 858,589</u>	<u>\$ 1,040,647</u>