
**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): January 26, 2007

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 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 December 31, 2006, as presented in a press release dated January 26, 2007.

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> |
|--------------------|--|
| 99.1 | Press release for MagnaChip Semiconductor LLC dated January 26, 2007, announcing the results for the fourth quarter ended December 31, 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: January 30, 2007

By: /s/ Robert Krakauer

Robert Krakauer

President and Chief Financial Officer

Exhibit Index

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|---------------------------|--|
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*MagnaChip Semiconductor Reports
Fourth Quarter Results*

Seoul, South Korea, January 26, 2007 – MagnaChip Semiconductor today announced results for the fourth quarter ended December 31, 2006.

Revenue for the three months ended December 31, 2006 was \$162.3 million, compared to \$245.2 million in the fourth quarter of 2005.

Gross margin was \$18 million or 11.1% of revenue for the quarter ended December 31, 2006, compared to \$60.4 million or 24.6% of revenue for the fourth quarter of 2005.

Operating expenses for the fourth quarter of 2006 were \$57 million or 35.1% of revenue. This included impairment and disposal loss of \$2.1 million taken in association with dispositions of tangible assets previously classified as held-for-sale. Excluding the impairment and disposal loss, operating expenses for the fourth quarter of 2006 were \$54.9 million or 33.8% of revenue, compared to \$61 million or 24.9% of revenue in the fourth quarter of 2005 excluding restructuring and impairment charges of \$27.5 million.

Operating loss was \$39 million during the current quarter, compared to an operating loss of \$28.1 million in the prior year quarter.

Net interest expense for the fourth quarter of 2006 was \$14.1 million, compared to \$14.4 million in the fourth quarter of 2005.

Net loss for the three months ended December 31, 2006 was \$45.6 million compared to a net loss of \$22.9 million in the fourth quarter of 2005.

Sang Park, Chairman and CEO of MagnaChip Semiconductor, commented, “Since I took the office of CEO last May, we all have worked hard to turn around the company and rebuild our leadership momentum and product pipeline. As a result of our coordinated efforts, our three major businesses, SMS, Display Solutions, and Imaging Solutions, have begun to recover and now have a solid foundation on which to continue to improve. We expect production to ramp on key new programs in the second half of this year and we are seeing a high level of new customer activity. We are well-positioned to make 2007 the year of MagnaChip’s recovery and return to growth as we focus on bringing high-quality display and imaging solutions to market faster.”

Robert Krakauer, President and CFO of MagnaChip Semiconductor, said, “We are pleased with our cash generation during the quarter on excellent working capital management and that we exceeded our goals for manufacturing cost improvement. We have made considerable progress on our new product roadmap, with a product portfolio refreshment. This is critical to the company’s growth and success. As an example, we now have one of the few market solutions for digital auto focus. Customer feedback has been positive, and we are optimistic entering 2007. Our goal is to grow market share, drive revenue and profit growth, and strengthen our balance sheet as we regain our business momentum throughout the coming year.”

First Quarter 2007 Outlook

For the first quarter of 2007, the Company expects revenues to be down by 10% to 12% compared to the fourth quarter of 2006 reflecting lower seasonal demand and an inventory correction in the analog and power areas of our foundry business. The Company expects gross margins of 4 to 6% due to reduced loadings partially offset by cost containment measures.

Investor Conference Call / Webcast Details

MagnaChip will report full results for the fourth quarter 2006 on Friday, January 26, 2007 at 10:00 a.m. in New York (12:00 a.m., Saturday, January 27, 2007 in Seoul). The conference call will be available at www.magnachip.com and by telephone at +1-(201) 689-8470. A replay of the call will be available in two hours after the call through midnight on Friday, February 2, 2007 in New York (2 p.m. on Friday, February 2, 2007 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 224173, 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 8,500 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 October 1, 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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CONTACT:

In the U.S.:

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

| | Three Months Ended | |
|--|--------------------|-------------------|
| | December 31, 2006 | December 31, 2005 |
| Net sales | \$ 162,313 | \$ 245,154 |
| Cost of sales | 144,332 | 184,765 |
| Gross profit | 17,981 | 60,389 |
| Operating expenses: | | |
| Selling, general and administrative | 21,309 | 34,048 |
| Research and development | 35,384 | 26,960 |
| Restructuring and impairment charges | 318 | 27,514 |
| Operating loss | (39,030) | (28,133) |
| Other income (expenses): | | |
| Interest expenses, net | (14,128) | (14,400) |
| Foreign currency gain, net | 9,947 | 21,199 |
| Loss before income taxes | (43,211) | (21,334) |
| Income tax expenses | 2,427 | 1,560 |
| Net loss | \$ (45,638) | \$ (22,894) |
| Dividends accrued on preferred units | (2,842) | (2,549) |
| Net loss attributable to common units | \$ (48,480) | \$ (25,443) |
| Net loss per common unit Basic and Diluted | (0.92) | (0.48) |
| Common units used in per common unit calculation: Basic and Diluted (in thousands) | 52,721 | 53,051 |
| Key Ratios & Information: | | |
| Gross Margin | 11.1% | 24.6% |
| Operating Expenses as a % of Revenue | 35.1% | 36.1% |
| Operating Margin | (24.0)% | (11.5)% |
| Depreciation & Amortization Expense | 43,079 | 48,181 |
| Capital Expenditures | 13,379 | 23,055 |

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 December 31, 2006 | | | Three Months Ended December 31, 2005 | | |
|--|---|-------------------------------|-------------------------|---|-------------------------------|-------------------------|
| | Gross Profit | Operating Income (Loss) | Net Income (Loss) | Gross Profit | Operating Income (Loss) | Net Income (Loss) |
| US GAAP Amounts | \$17,981 | \$(39,030) | \$(45,638) | \$60,389 | \$(28,133) | \$(22,894) |
| Special items | | | | | | |
| (1) Inventory loading effect | — | — | — | 8,133 | 8,133 | 8,133 |
| (2) Restructuring and impairment charges | — | 318 | 318 | — | 27,514 | 27,514 |
| (3) Loss from disposal of held-for-sale assets | — | 1,819 | 1,819 | — | — | — |
| Total special items | — | 2,137 | 2,137 | 8,133 | 35,647 | 35,647 |
| Non-US GAAP Profit (Loss) | <u>\$17,981</u> | <u>\$(36,893)</u> | <u>\$(43,501)</u> | <u>\$68,522</u> | <u>\$ 7,514</u> | <u>\$ 12,753</u> |
| Adjusted Gross Margin | | | 11.1% | | | 28.0% |
| Adjusted Operating Expense - % of Revenue | | | 33.8% | | | 24.9% |
| Adjusted Operating Margin | | | (22.7)% | | | 3.1% |

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 December 31, 2006 and 2005 are as follows:

- (1) Inventory adjustment made under SFAS 151 to reflect the normal cost of manufacturing, excluding abnormal period costs.
- (2) Impairment charges under SFAS 144 during the fourth quarter of 2006 and restructuring and impairment charges taken during the fourth quarter of 2005 in association with divestiture of application processor business.
- (3) Loss from disposition of assets classified as "held-for-sale" in 2005.

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

| | December 31, 2006 | December 31, 2005 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 89,173 | \$ 86,574 |
| Accounts receivable, net | 76,665 | 112,053 |
| Inventories, net | 57,846 | 88,677 |
| Other current assets | 20,380 | 22,486 |
| Total current assets | 244,064 | 309,790 |
| Property, plant and equipment, net | 336,279 | 485,077 |
| Goodwill and intangible assets, net | 139,729 | 191,389 |
| Other non-current assets | 49,981 | 54,391 |
| Total assets | <u>\$ 770,053</u> | <u>\$1,040,647</u> |
| Liabilities & Unitholders' Equity | | |
| Current liabilities | | |
| Accounts and other payable | \$ 94,822 | \$ 129,279 |
| Other current liabilities | 26,627 | 39,070 |
| Total current liabilities | 121,449 | 168,349 |
| Long-term borrowings | 750,000 | 750,000 |
| Other non-current liabilities | 65,771 | 62,320 |
| Total liabilities | 937,220 | 980,669 |
| Redeemable convertible preferred units | 117,374 | 106,462 |
| Unitholders' equity | (284,541) | (46,484) |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | <u>\$ 770,053</u> | <u>\$1,040,647</u> |

MagnaChip Semiconductor
Condensed Consolidated Statements of Cash Flows
(In thousands of US Dollars)
(Unaudited)

| | Three Months Ended | |
|--|----------------------|----------------------|
| | December 31, 2006 | December 31, 2005 |
| Cash flows from operating activities | | |
| Net loss | \$ (45,638) | \$ (22,894) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 43,079 | 48,181 |
| Impairment charges | 318 | 25,580 |
| Gain on foreign currency translation, net | (10,891) | (21,331) |
| Changes in accounts and other receivable | 7,237 | 2,943 |
| Changes in inventories | 2,569 | (3,443) |
| Changes in accounts and other payable | 2,505 | 23,003 |
| Changes in accrued expenses | (10,332) | (9,748) |
| Other | 5,052 | 4,150 |
| Net cash provided by (used in) operating activities | (6,101) | 46,441 |
| Cash flows from investing activities | | |
| Capital expenditures | (13,379) | (23,055) |
| Other | 180 | 1,271 |
| Net cash used in investing activities | (13,199) | (21,784) |
| Cash flows from financing activities | | |
| Repayment of borrowings | — | (11,061) |
| Other | — | 114 |
| Net cash used in financing activities | — | (10,947) |
| Effect of exchange rates on cash and cash equivalents | 984 | 1,837 |
| Net increase (decrease) in cash and cash equivalents | (18,316) | 15,547 |
| Cash and cash equivalents | | |
| Beginning of the period | 107,489 | 71,027 |
| End of the period | <u>\$ 89,173</u> | <u>\$ 86,574</u> |