

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): May 1, 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))

**Item 2.02. Results of Operations and Financial Condition.**

Attached hereto as Exhibit 99.1 and incorporated by reference herein is financial information for MagnaChip Semiconductor LLC and its consolidated subsidiaries for the quarter ended April 2, 2006, as presented in a press release dated May 1, 2006.

**Item 9.01. Financial Statements and Exhibits.**

**(c) Exhibits.**

The following exhibit is furnished as part of this report:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | Press release for MagnaChip Semiconductor LLC dated May 1, 2006, announcing the results for the first quarter ended April 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: May 1, 2006

By: /s/ Youm Huh

Youm Huh

Chief Executive Officer and President

**Exhibit Index**

---

| <b><u>Exhibit No.</u></b> | <b><u>Description</u></b>  |
|---------------------------|--|
| 99.1                      | Press release for MagnaChip Semiconductor LLC dated May 1, 2006, announcing the results for the first quarter ended April 2, 2006. |



*MagnaChip Semiconductor Reports  
First Quarter Results*

**Seoul, South Korea, May 1, 2006** – MagnaChip Semiconductor today announced results for the first quarter ended April 2, 2006.

Revenue for the three months ended April 2, 2006 was \$213.1 million, compared to \$213.4 million in the first quarter of 2005.

Gross margin was \$40.3 million or 18.9% of revenue for the quarter ended April 2, 2006, compared to \$26.0 million or 12.2% of revenue for the quarter ended April 3, 2005. The first quarter of 2005 included a non-cash charge of \$4.5 million for the write up of inventory to fair market value, which were subsequently sold during the first quarter of 2005. On a non-GAAP basis, gross margin in the current quarter increased by 460 basis points from 14.3% in the first quarter of 2005.

Operating expenses were \$51.4 million in the first quarter or 24.1% of revenue compared to \$54.6 million or 25.6% of revenue during the first quarter of 2005. The decrease of \$3.2 million from the prior year quarter was primarily due to lower amortization of intangible assets associated with sale of the Application Processor business and ongoing cost controls. Operating loss was \$11.1 million during the quarter compared to an operating loss of \$28.6 million in the prior year quarter.

Net interest expense for the first quarter was \$14.7 million, compared to \$13.9 million in the first quarter of 2005. Net loss for the three months ended April 2, 2006 was \$3.9 million compared to a net loss of \$31.3 million in the prior year quarter.

Dr. Youm Huh, President and CEO of MagnaChip Semiconductor, commented, “Revenue was in-line with guidance despite a seasonally slow quarter for the industry due to our participation in fast growth end markets in image sensor solutions, and mixed-signal and digital multimedia semiconductors. We were able to achieve essentially flat revenue on a year over year basis, even though the prior year included a full quarter’s revenue from our Application Processor business, which we have now sold. We continue to build MagnaChip’s brand name and visibility world-wide. We launched our new line of CMOS Image Sensors this quarter—our 2 Megapixel CMOS image sensor SOC and our high-performance 1.3 Megapixel CMOS image sensor SOC, which we believe will be growth drivers for us in 2006 and beyond. Overall, we continue to leverage our expansive R&D and manufacturing resources to increase market penetration. In line with these efforts, we held a very successful SMS technology symposium in Beijing with attendees from IC design houses, customers and technology partners from China and showcased our line of Imaging Solutions at the 3GSM World Congress.”

Robert Krakauer, EVP of Strategic Operations and CFO of MagnaChip Semiconductor, said,

“During the quarter, we initiated a Six Sigma management system that is expected to result in improved product quality, substantial cost savings, and enhance our industry leading profile. This initiative specifically focuses on three areas within MagnaChip: Sales & marketing, Research & Development, and Production. Our Six Sigma initiatives will allow us to more effectively deliver industry-leading solutions to our consumer electronics and communications customers worldwide and place us on the same corporate development path as recognized global industry leaders. This program is not only limited to enhancing cost savings and quality but will be actively used to improve overall business management, innovation and execution.”

Krakauer continued, “We also completed the sale of our Application Processor business to ABOV Semiconductor Co., Ltd. The close of this sale allows us to now focus further on our three core businesses - Display Solutions, Imaging Solutions and our Semiconductor Manufacturing Services. MagnaChip will continue to provide foundry services to the new entity.”

### **Second Quarter 2006 Outlook**

For the second quarter of 2006, the Company expects reduced revenues due to the transition to new products that are expected to improve revenue growth into the second half of the year.

### **Investor Conference Call / Webcast Details**

MagnaChip will report full results for the first quarter 2006 on Monday, May 1, 2006 at 10:00 a.m. in New York (11:00 p.m., Monday, May 1 in South Korea). The conference call will be available at [www.magnachip.com](http://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 Tuesday, May 9, 2006 in New York (noon on Tuesday, May 9, 2006 in Seoul) at [www.magnachip.com](http://www.magnachip.com) and by telephone at +1-(201) 612-7415. The account number to access the replay is 3055 and the confirmation ID number is 196939, 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](http://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 annual report on Form 10-K for the year ended December 31, 2005.

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.

###

**CONTACTS:**

**In Korea:**

Robert Krakauer, EVP Strategic Operations, CFO  
Tel: 82-2-3459-3682  
rkrakauer@magnachip.com

**In the U.S.:**

David Pasquale, EVP at The Ruth Group  
Tel: +646-536-7006  
dpasquale@theruthgroup.com

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

|  | Three Months Ended |                    |
|--|--------------------|--------------------|
|  | April 2,<br>2006   | April 3,<br>2005   |
| Net sales  | \$213,143          | \$213,390          |
| Cost of sales  | 172,815            | 187,438            |
| Gross profit   | 40,328             | 25,952             |
| Operating expenses:  |                    |                    |
| Selling, general and administrative                                  | 21,531             | 28,479             |
| Research and development   | 29,918             | 26,099             |
| Operating loss   | (11,121)           | (28,626)           |
| Other income (expenses):   |                    |                    |
| Interest expenses, net   | (14,733)           | (13,901)           |
| Foreign currency gain (loss), net                                    | 24,237             | 13,601             |
| Income (Loss) before income taxes                                    | (1,617)            | (28,926)           |
| Income tax expense   | 2,274              | 2,352              |
| Net loss   | <u>\$ (3,891)</u>  | <u>\$ (31,278)</u> |
| Dividends accrued on preferred units                                 | 2,633              | 2,395              |
| Net loss attributable to common units                                | <u>\$ (6,524)</u>  | <u>\$ (33,673)</u> |
| Net loss per common units Basic and Diluted                          | (0.12)             | (0.64)             |
| Common units used in per common units calculation: Basic and Diluted | 53,105             | 52,533             |
| Key Ration & Information:  |                    |                    |
| Gross Margin   | 18.9%              | 12.2%              |
| Operating Expenses as a % of Revenue                                 | 24.1%              | 25.6%              |
| Operating Margin   | (5.2%)             | (13.4%)            |
| Depreciation & Amortization Expense                                  | 50,304             | 55,306             |
| Capital Expenditures   | 14,239             | 12,981             |

## 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<br>April 2, 2006 |                               |                         | Three Months Ended<br>April 3, 2005 |                               |                         |
|--|-------------------------------------|-------------------------------|-------------------------|-------------------------------------|-------------------------------|-------------------------|
|  | Gross<br>Profit                     | Operating<br>Income<br>(Loss) | Net<br>Income<br>(Loss) | Gross<br>Profit                     | Operating<br>Income<br>(Loss) | Net<br>Income<br>(Loss) |
| US GAAP Amounts                            | \$40,328                            | \$(11,121)                    | \$(3,891)               | \$25,952                            | \$(28,626)                    | \$(31,278)              |
| Special items                              |                                     |                               |                         |                                     |                               |                         |
| (1) Fair value uplift of inventory expense | —                                   | —                             | —                       | 4,475                               | 4,475                         | 4,475                   |
| (2) Order back log amortization            | —                                   | —                             | —                       | —                                   | 2,969                         | 2,969                   |
| Total special items                        | —                                   | —                             | —                       | 4,475                               | 7,444                         | 7,444                   |
| Non-US GAAP Profit                         | <u>\$40,328</u>                     | <u>\$(11,121)</u>             | <u>\$(3,891)</u>        | <u>\$30,427</u>                     | <u>\$(21,182)</u>             | <u>\$(23,834)</u>       |
| Adjusted Gross Margin                      |                                     |                               | 18.9%                   |                                     |                               | 14.3%                   |
| Adjusted Operating Expense - % of Revenue  |                                     |                               | 24.1%                   |                                     |                               | 24.2%                   |
| Adjusted Operating Margin                  |                                     |                               | (5.2)%                  |                                     |                               | (9.9)%                  |

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 April 3, 2005 are as follows:

- (1) Fair value uplift for inventories in purchase accounting, non-cash charge in the first quarter of 2005
- (2) Order back log capitalized in purchase accounting and amortized over three months

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

|   | April 2,<br>2006   | December 31,<br>2005 |
|---|--------------------|----------------------|
| <b>Assets</b>   |                    |                      |
| Current assets  |                    |                      |
| Cash and cash equivalents   | \$ 88,592          | \$ 86,574            |
| Accounts receivable, net  | 96,391             | 112,053              |
| Inventories, net  | 81,623             | 88,677               |
| Other current assets  | 25,670             | 22,486               |
| Total current assets  | 292,276            | 309,790              |
| Property, plant and equipment, net  | 475,058            | 485,077              |
| Goodwill and intangible assets  | 186,153            | 191,389              |
| Other non-current assets  | 56,104             | 54,391               |
| Total assets  | <u>\$1,009,591</u> | <u>\$1,040,647</u>   |
| <b>Liabilities &amp; Unitholders' Equity</b>                                      |                    |                      |
| Current liabilities   |                    |                      |
| Accounts and other payable  | \$ 92,694          | \$ 129,279           |
| Other current liabilities   | 41,655             | 39,070               |
| Total current liabilities   | 134,349            | 168,349              |
| Long-term borrowings  | 750,000            | 750,000              |
| Other non-current liabilities   | 63,091             | 62,320               |
| Total liabilities   | 947,440            | 980,669              |
| Redeemable convertible preferred units  | 109,095            | 106,462              |
| Unitholders equity  | (46,944)           | (46,484)             |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | <u>\$1,009,591</u> | <u>\$1,040,647</u>   |