

AMKOR TECHNOLOGY INC

Form 10-Q

November 10, 2008

Table of Contents

**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 September 30, 2008**
- 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 000-29472

AMKOR TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

23-1722724
*(I.R.S. Employer
Identification Number)*

**1900 South Price Road
Chandler, AZ 85286
(480) 821-5000**
(Address of principal executive offices and zip code)

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 filing requirements for the past 90 days. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of outstanding shares of the registrant's Common Stock as of October 31, 2008 was 183,035,405.

QUARTERLY REPORT ON FORM 10-Q
September 30, 2008

TABLE OF CONTENTS

| | | Page No. |
|---|--|---------------------|
| <u>PART I. Financial Information</u> | | |
| <u>Item 1.</u> | <u>Financial Statements (unaudited)</u> | 2 |
| | <u>Consolidated Statements of Income Three and Nine Months Ended September 30, 2008 and 2007</u> | 2 |
| | <u>Consolidated Balance Sheets September 30, 2008 and December 31, 2007</u> | 3 |
| | <u>Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2008 and 2007</u> | 4 |
| | <u>Notes to Consolidated Financial Statements</u> | 5 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 22 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 31 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 33 |
| <u>PART II. Other Information</u> | | |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 34 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 34 |
| <u>Item 6.</u> | <u>Exhibits</u> | 47 |
| <u>Signatures</u> | | 48 |
| | <u>EX-31.1</u> | |
| | <u>EX-31.2</u> | |
| | <u>EX-32</u> | |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. *Financial Statements*****AMKOR TECHNOLOGY, INC.****CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|-------------|--|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 719,731 | \$ 689,083 | \$ 2,109,890 | \$ 1,992,557 |
| Cost of sales | 590,700 | 519,152 | 1,645,776 | 1,513,596 |
| Gross profit | 129,031 | 169,931 | 464,114 | 478,961 |
| Operating expenses: | | | | |
| Selling, general and administrative | 60,467 | 64,080 | 193,357 | 192,223 |
| Research and development | 14,084 | 10,282 | 43,035 | 30,930 |
| Gain on sale of real estate and specialty test operations | | (1,717) | (9,856) | (4,833) |
| Total operating expenses | 74,551 | 72,645 | 226,536 | 218,320 |
| Operating income | 54,480 | 97,286 | 237,578 | 260,641 |
| Other (income) expense: | | | | |
| Interest expense, net | 30,119 | 29,336 | 83,866 | 95,610 |
| Interest expense, related party | 1,562 | 1,563 | 4,687 | 4,688 |
| Foreign currency (gain) loss | (23,026) | 3,399 | (44,100) | 7,946 |
| Debt retirement costs, net | | | | 15,875 |
| Other (income) expense, net | (256) | 254 | (955) | (964) |
| Total other expense, net | 8,399 | 34,552 | 43,498 | 123,155 |
| Income before income taxes and minority interests | 46,081 | 62,734 | 194,080 | 137,486 |
| Income tax expense | 16,313 | 1,194 | 26,551 | 9,573 |
| Income before minority interests | 29,768 | 61,540 | 167,529 | 127,913 |
| Minority interests, net of tax | (613) | (920) | (1,146) | (1,713) |
| Net income | \$ 29,155 | \$ 60,620 | \$ 166,383 | \$ 126,200 |

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Net income per common share:

| | | | | | | | | |
|-------|----|------|----|------|----|------|----|------|
| Basic | \$ | 0.16 | \$ | 0.33 | \$ | 0.91 | \$ | 0.70 |
|-------|----|------|----|------|----|------|----|------|

| | | | | | | | | |
|---------|----|------|----|------|----|------|----|------|
| Diluted | \$ | 0.15 | \$ | 0.30 | \$ | 0.84 | \$ | 0.65 |
|---------|----|------|----|------|----|------|----|------|

Shares used in computing net income per common share:

| | | | | |
|-------|---------|---------|---------|---------|
| Basic | 183,001 | 181,664 | 182,633 | 180,200 |
|-------|---------|---------|---------|---------|

| | | | | |
|---------|---------|---------|---------|---------|
| Diluted | 209,989 | 209,868 | 209,848 | 208,812 |
|---------|---------|---------|---------|---------|

The accompanying notes are an integral part of these statements.

Table of Contents**AMKOR TECHNOLOGY, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| | September 30, 2008 | December 31, 2007 |
|------------------------------------|-------------------------------|------------------------------|
| | (In thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 443,838 | \$ 410,070 |
| Restricted cash | 2,670 | 2,609 |
| Accounts receivable: | | |
| Trade, net of allowances | 390,383 | 393,493 |
| Other | 3,892 | 4,938 |
| Inventories | 156,203 | 149,014 |
| Other current assets | 36,474 | 27,290 |
| | | |
| Total current assets | 1,033,460 | 987,414 |
| Property, plant and equipment, net | 1,526,180 | 1,455,111 |
| Goodwill | 674,312 | 673,385 |
| Intangibles, net | 13,636 | 20,321 |
| Restricted cash | 1,745 | 1,725 |
| Other assets | 41,539 | 54,650 |
| | | |
| Total assets | \$ 3,290,872 | \$ 3,192,606 |

LIABILITIES AND STOCKHOLDERS EQUITY

| | | |
|---|-----------|------------|
| Current liabilities: | | |
| Short-term borrowings and current portion of long-term debt | \$ 55,764 | \$ 152,489 |
| Trade accounts payable | 364,269 | 359,313 |
| Accrued expenses | 233,398 | 165,271 |
| | | |
| Total current liabilities | 653,431 | 677,073 |
| Long-term debt | 1,473,774 | 1,511,570 |
| Long-term debt, related party | 100,000 | 100,000 |
| Pension and severance obligations | 175,801 | 208,387 |
| Other non-current liabilities | 29,156 | 33,935 |
| | | |
| Total liabilities | 2,432,162 | 2,530,965 |
| | | |
| Commitments and contingencies (see Note 13) | | |
| Minority interests | 8,265 | 7,022 |

Stockholders equity:

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| | | |
|--|--------------|--------------|
| Preferred stock, \$0.001 par value, 10,000 shares authorized, designated Series A, none issued | | |
| Common stock, \$0.001 par value, 500,000 shares authorized, issued and outstanding of 183,035 in 2008 and 181,799 in 2007 | 183 | 182 |
| Additional paid-in capital | 1,496,071 | 1,482,186 |
| Accumulated deficit | (655,143) | (821,526) |
| Accumulated other comprehensive income (loss) | 9,334 | (6,223) |
| Total stockholders' equity | 850,445 | 654,619 |
| Total liabilities and stockholders' equity | \$ 3,290,872 | \$ 3,192,606 |

The accompanying notes are an integral part of these statements.

Table of Contents**AMKOR TECHNOLOGY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

| | For the Nine Months Ended September 30, | |
|---|--|-------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$ 166,383 | \$ 126,200 |
| Depreciation and amortization | 229,501 | 215,679 |
| Debt retirement costs | | 6,875 |
| Other operating activities and non-cash items | 22,093 | (1,081) |
| Changes in assets and liabilities | 39,414 | 66,795 |
| Net cash provided by operating activities | 457,391 | 414,468 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (317,109) | (159,942) |
| Proceeds from the sale of property, plant and equipment | 15,257 | 5,130 |
| Proceeds from the sale of investment | 2,460 | |
| Other investing activities | (702) | (1,778) |
| Net cash used in investing activities | (300,094) | (156,590) |
| Cash flows from financing activities: | | |
| Borrowings under revolving credit facilities | 619 | 80,340 |
| Payments under revolving credit facilities | (633) | (95,398) |
| Proceeds from issuance of long-term debt | | 300,000 |
| Payments of long-term debt, including redemption premium payment | (135,913) | (486,888) |
| Payments for debt issuance costs | | (3,441) |
| Proceeds from issuance of stock through stock compensation plans | 10,201 | 36,380 |
| Net cash used in financing activities | (125,726) | (169,007) |
| Effect of exchange rate fluctuations on cash and cash equivalents | 2,197 | 1,390 |
| Net increase in cash and cash equivalents | 33,768 | 90,261 |
| Cash and cash equivalents, beginning of period | 410,070 | 244,694 |
| Cash and cash equivalents, end of period | \$ 443,838 | \$ 334,955 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 76,048 | \$ 89,810 |
| Income taxes | \$ 21,207 | \$ 10,523 |

The accompanying notes are an integral part of these statements.

Table of Contents

AMKOR TECHNOLOGY, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

1. Interim Financial Statements

Basis of Presentation. The Consolidated Financial Statements and related disclosures as of September 30, 2008 and for the three and nine months ended September 30, 2008 and 2007 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The December 31, 2007 Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S.). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2007 filed on Form 10-K with the SEC on February 25, 2008. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the U.S., using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments.

2. New Accounting Standards

Recently Adopted Standards

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We adopted the provisions of SFAS No. 159 on January 1, 2008, and have elected not to measure any of our current eligible financial assets or liabilities at fair value.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of SFAS No. 87, Employers' Accounting for Pensions, SFAS No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and Termination Benefits, SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and SFAS No. 132(R), Employers' Disclosure about Pensions and Other Postretirement Benefits* (SFAS No. 158). SFAS No. 158 requires the recognition of the funded status of a defined benefit pension plan (other than a multi-employer plan) as an asset or liability in the statement of financial position and the recognition of changes in the funded status through comprehensive income in the year in which such changes occur. We adopted the recognition provisions of SFAS No. 158 and initially applied those to the funded status of our defined benefit pension plans as of December 31,

2006. In addition, SFAS No. 158 requires that the funded status of a plan be measured as of the date of the year-end statement of financial position for fiscal years ending after December 15, 2008. We currently measure our funded status as of the balance sheet date. Accordingly, the adoption of the measurement provisions of SFAS No. 158 will have no impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), and in February 2008, the FASB amended SFAS No. 157 by issuing FASB Staff Position (FSP) FAS 157-1, *Application*

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, and FSP FAS 157-2, Effective Date of FASB Statement No. 157 (collectively SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 is applicable to other accounting pronouncements that require or permit fair value measurements, except those relating to lease accounting, and accordingly does not require any new fair value measurements. SFAS No. 157 was effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Our adoption of the provisions of SFAS No. 157 on January 1, 2008, with respect to financial assets and liabilities measured at fair value, did not have a material impact on our fair value measurements or our financial statements for the three and nine months ended September 30, 2008. In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 became effective immediately upon issuance, and its adoption did not have an effect on our financial statements. We are currently evaluating the impact the application of SFAS No. 157 will have on our financial statements as it relates to the measurement of the funded status of our defined benefit pension plans as of December 31, 2008 and the valuation of our non-financial assets and liabilities, including for the purpose of assessing goodwill impairment and the valuation of property, plant, and equipment when assessing long-lived asset impairment.

Recently Issued Standards

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 seeks to clarify the hierarchy of accounting principles by raising FASB Statements of Accounting Concepts to the same level as FASB Statements of Accounting Standards and directing the Statement of Auditing Standards No. 69 to entities rather than to auditors. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendment to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The SEC approved the Public Company Accounting Oversight Board's amendment to AU Section 411 on September 18, 2008. We do not expect the adoption of SFAS No. 162 to have a material impact on our financial statements.

In May 2008, the FASB issued FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP No. APB 14-1). FSP No. APB 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. FSP No. APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Our convertible debt will continue to be accounted for under Accounting Principles Board Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Warrants (as amended)* and the adoption of FSP No. APB 14-1 will have no impact on our financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. FSP FAS 142-3 also requires expanded disclosures related to the determination of intangible asset useful lives. This standard applies prospectively to intangible assets acquired and/or

Table of Contents

AMKOR TECHNOLOGY, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

recognized on or after January 1, 2009. We do not expect FSP FAS 142-3 to have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. As of September 30, 2008, we have not entered into any derivative transactions.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements* (SFAS No. 160). SFAS No. 160 requires (1) that non-controlling (minority) interests be reported as a component of stockholders equity, (2) that net income attributable to the parent and to the non-controlling interest be separately identified in the consolidated statement of operations, (3) that changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (4) that any retained non-controlling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value and (5) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We do not expect SFAS No. 160 to have a material impact on our financial statements once adopted.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition related items including: (1) expensing acquisition related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date of a controlling interest; and (3) expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. SFAS No. 141(R) will have an impact on our accounting for any future business combinations once adopted.

3. Stock Compensation Plans

We account for our stock option plans in accordance with SFAS No. 123(R), *Share-Based Payments* (SFAS No. 123(R)). SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed over the service period (generally the vesting period).

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)

The following table presents stock-based employee compensation expense included in the Consolidated Statements of Income:

Stock Option Plans

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|--------|---|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | (In thousands) | |
| Cost of sales | \$ 212 | \$ 332 | \$ 732 | \$ 1,013 |
| Selling, general, and administrative | 778 | 667 | 2,422 | 1,817 |
| Research and development | 171 | | 531 | |
| Total stock-based compensation expense | \$ 1,161 | \$ 999 | \$ 3,685 | \$ 2,830 |

The following is a summary of all option activity for the nine months ended September 30, 2008:

| | Number of Shares | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|--|---------------------|--|--|---------------------------------|
| Outstanding at December 31, 2007 | 11,907,234 | \$ 10.24 | | |
| Granted | 575,000 | 11.46 | | |
| Exercised | (1,236,199) | 8.25 | | |
| Forfeited or expired | (786,865) | 11.11 | | |
| Outstanding at September 30, 2008 | 10,459,170 | 10.47 | 4.81 | \$ 2,073,089 |
| Exercisable at September 30, 2008 | 8,656,439 | 10.69 | 3.92 | \$ 1,906,878 |
| Fully vested and expected to vest at September 30, 2008 | 10,156,636 | 10.51 | 4.68 | \$ 2,043,505 |

The following assumptions were used in the Black-Scholes option pricing model to calculate weighted average fair values of the options granted for the three months ended September 2007 and nine months ended September 30, 2008 and 2007. There were no grants during the three months ended September 30, 2008.

| | For the Three Months Ended September 30, 2007 | For the Nine Months Ended September 30, 2008 | For the Nine Months Ended September 30, 2007 |
|---|--|---|---|
| Expected life (in years) | 5 | 6 | 5 |
| Risk-free interest rate | 4.6% | 3.3% | 4.6% |
| Volatility | 74% | 77% | 74% |
| Dividend yield | | | |
| Weighted average grant date fair value per option granted | \$ 6.91 | \$ 7.85 | \$ 6.91 |

The intrinsic value of options exercised for the three months ended September 30, 2008 and 2007 was \$0.2 million and \$1.2 million, respectively. The intrinsic value of options exercised for the nine months ended September 30, 2008 and 2007 was \$4.1 million and \$12.0 million, respectively.

Table of Contents

AMKOR TECHNOLOGY, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)**

Total unrecognized compensation expense from stock options, excluding any forfeiture estimate, was \$11.4 million as of September 30, 2008, which is expected to be recognized over a weighted-average period of 3.5 years beginning October 1, 2008.

For the nine months ended September 30, 2008 and 2007, cash received under all share-based payment arrangements was \$10.2 million and \$36.4 million, respectively. There was no tax benefit realized. The related cash receipts are included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

4. Income Taxes

Income tax expense for the three and nine months ended September 30, 2008 and 2007 is generally attributable to foreign withholding taxes, income taxes at certain of our profitable foreign operations, and changes in valuation allowances. A tax benefit of \$1.6 million associated with the utilization of the acquired foreign net operating loss carryforwards was recorded as a credit to goodwill for the nine months ended September 30, 2008.

Our effective tax rate of 13.7% for the nine months ended September 30, 2008, reflects tax holidays in certain foreign jurisdictions and the utilization of foreign net operating loss carryforwards. At September 30, 2008, we had U.S. net operating loss carryforwards totaling \$399.6 million, which expire at various times through 2028. Additionally, at September 30, 2008, we had \$39.5 million of non-U.S. net operating loss carryforwards, which expire at various times through 2015.

We maintain a valuation allowance on all of our U.S. net deferred tax assets, including our net operating loss carryforwards. We also have valuation allowances on deferred tax assets in certain foreign jurisdictions. We will release such valuation allowances as the related tax benefits are realized on our tax returns or when sufficient net positive evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

During the three months ended September 30, 2008, we established a valuation allowance related to certain deferred tax assets in Japan which increased income tax expense by \$8.3 million for the three and nine months ended September 30, 2008. Despite a recent history of positive evidence in certain other foreign jurisdictions, it is management's conclusion that sufficient positive evidence does not exist to release the valuation allowances in these jurisdictions at this time.

The gross amount of unrecognized tax benefits at September 30, 2008 was \$14.9 million. The gross amount of unrecognized tax benefits as a result of tax positions taken during the current and prior years increased by \$0.1 million and \$0.9 million, respectively, during the nine months ended September 30, 2008. The gross amount of unrecognized tax benefits as a result of tax positions taken during prior years decreased by \$3.4 million during the nine months ended September 30, 2008. The gross amount of unrecognized tax benefits also decreased by \$0.4 million as a result of a lapse of applicable statutes of limitations during the nine months ended September 30, 2008. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$1.7 million and \$1.9 million as of September 30, 2008 and December 31, 2007, respectively. It is reasonably possible that the total amount of unrecognized tax benefits will decrease within twelve months due to statutes of limitations expiring in certain jurisdictions which would decrease our unrecognized tax benefits related to revenue attribution by up to \$1.7 million.

Our unrecognized tax benefits are subject to change as examinations of specific tax years are completed in the respective jurisdictions. We believe that any taxes, or related interest and penalties, over the amounts accrued will not have a material effect on our financial condition, results of operations or cash flows, nor do we expect that such examinations to be completed in the near term would have a material favorable impact. However, tax return examinations involve uncertainties and there can be no assurances that the outcome of examinations will be favorable.

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)**5. Earnings Per Share**

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS adjusts net income and the outstanding shares for the dilutive effect of stock options and convertible debt. The following table summarizes the computation of basic and diluted EPS:

| | For the Three Months Ended September 30, 2008 | | For the Nine Months Ended September 30, 2008 | |
|--|--|-------------|---|-------------|
| | 2007 | 2007 | 2007 | 2007 |
| | (In thousands, except per share data) | | (In thousands, except per share data) | |
| Net income basic | \$ 29,155 | \$ 60,620 | \$ 166,383 | \$ 126,200 |
| Adjustment for dilutive securities on net income: | | | | |
| Interest on 2.5% convertible notes due 2011, net of tax | 1,491 | 1,491 | 4,473 | 3,866 |
| Interest on 6.25% convertible notes due 2013, net of tax | 1,592 | 1,592 | 4,777 | 4,717 |
| Net income diluted | \$ 32,238 | \$ 63,703 | \$ 175,633 | \$ 134,783 |
| Weighted average shares outstanding basic | 183,001 | 181,664 | 182,633 | 180,200 |
| Effect of dilutive securities: | | | | |
| Stock options | 614 | 1,830 | 841 | 2,238 |
| 2.5% convertible notes due 2011 | 13,023 | 13,023 | 13,023 | 13,023 |
| 6.25% convertible notes due 2013 | 13,351 | 13,351 | 13,351 | 13,351 |
| Weighted average shares outstanding diluted | 209,989 | 209,868 | 209,848 | 208,812 |
| EPS: | | | | |
| Basic | \$ 0.16 | \$ 0.33 | \$ 0.91 | \$ 0.70 |
| Diluted | \$ 0.15 | \$ 0.30 | \$ 0.84 | \$ 0.65 |

The following table summarizes the potential shares of common stock that were excluded from diluted EPS, because the effect of including these potential shares was antidilutive:

| | For the Three Months Ended September 30, 2008 | | For the Nine Months Ended September 30, 2008 | |
|---------------|--|-------------|---|-------------|
| | 2007 | 2007 | 2007 | 2007 |
| | (In thousands) | | (In thousands) | |
| Stock options | 8,328 | 4,172 | 8,214 | 2,124 |

| | | | | |
|-----------------------------------|-------|-------|-------|-------|
| 5.0% convertible notes due 2007 | | | | 673 |
| Total potentially dilutive shares | 8,328 | 4,172 | 8,214 | 2,797 |

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)**6. Comprehensive Income**

The components of comprehensive income are summarized below:

| | For the Three Months | | For the Nine Months | |
|---|-----------------------------|-------------|----------------------------|-------------|
| | Ended | | Ended | |
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | (In thousands) | |
| Net income | \$ 29,155 | \$ 60,620 | \$ 166,383 | \$ 126,200 |
| Change in unrecognized pension costs, net of tax | 8,256 | 129 | 8,663 | 380 |
| Foreign currency translation adjustment | (16,872) | 2,216 | 6,894 | 551 |
| Unrealized loss on investments, net of tax | | | (80) | (1,004) |
| Reclassification adjustment for losses included in income, net of tax | | 44 | 80 | 44 |
| Total comprehensive income | \$ 20,539 | \$ 63,009 | \$ 181,940 | \$ 126,171 |

The components of accumulated other comprehensive income (loss) consists of the following:

| | September 30, | December 31, |
|---|-----------------------|---------------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Unrealized foreign currency translation gains | \$ 15,642 | \$ 8,748 |
| Unrecognized pension costs | (6,308) | (14,971) |
| Total accumulated other comprehensive income (loss) | \$ 9,334 | \$ (6,223) |

The unrecognized pension costs are net of deferred income taxes of \$0.6 million and \$1.0 million at September 30, 2008 and December 31, 2007, respectively. No income taxes are provided on foreign currency translation gains or losses as foreign earnings are considered permanently invested.

7. Inventories

Inventories consist of the following:

| | September 30, 2008 | December 31, 2007 |
|--|-------------------------------|------------------------------|
| | (In thousands) | |
| Raw materials and purchased components | \$ 116,125 | \$ 109,283 |
| Work-in-process | 40,078 | 39,731 |
| Total inventories | \$ 156,203 | \$ 149,014 |

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)**8. Property, Plant and Equipment**

Property, plant and equipment consist of the following:

| | September 30, 2008 | December 31, 2007 |
|--|-------------------------------|------------------------------|
| | (In thousands) | |
| Land | \$ 105,372 | \$ 110,568 |
| Land use rights | 19,945 | 19,945 |
| Buildings and improvements | 823,621 | 800,507 |
| Machinery and equipment | 2,426,046 | 2,221,954 |
| Software and computer equipment | 147,727 | 132,924 |
| Furniture, fixtures and other equipment | 27,046 | 29,382 |
| Construction in progress | 17,952 | 20,441 |
| | 3,567,709 | 3,335,721 |
| Less accumulated depreciation and amortization | (2,041,529) | (1,880,610) |
| Total property, plant and equipment, net | \$ 1,526,180 | \$ 1,455,111 |

During April 2008, we sold land and a warehouse in Korea for \$14.3 million in cash and reported a gain of \$9.9 million, with no net tax effect. In the nine months ended September 30, 2007, we recognized a gain of \$3.1 million in connection with the disposition of real property in Korea used for administrative purposes, and a gain of \$1.7 million as a result of an earn-out provision related to our divesture of a specialty test operation in October 2005.

The following table reconciles our activity related to property, plant and equipment purchases as presented on the Condensed Consolidated Statement of Cash Flows to property, plant and equipment additions reflected on the Consolidated Balance Sheets:

| | For the Nine Months Ended September 30, | |
|---|--|-------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Purchases of property, plant and equipment | \$ 317,109 | \$ 159,942 |
| Net change in related accounts payable and deposits | (7,748) | 32,624 |
| Property, plant and equipment additions | \$ 309,361 | \$ 192,566 |

9. Goodwill and Intangible Assets

The change in the carrying value of goodwill, all of which relates to our packaging services segment, is as follows:

| | (In thousands) |
|--|-----------------------|
| Balance as of December 31, 2007 | \$ 673,385 |
| Pre-acquisition tax benefit adjustment | (1,602) |
| Translation adjustments | 2,529 |
| Balance as of September 30, 2008 | \$ 674,312 |

Table of Contents**AMKOR TECHNOLOGY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)

For the nine months ended September 30, 2008, we recognized a tax benefit of \$1.6 million associated with the utilization of acquired foreign net operating loss carryforwards and reduced goodwill.

During the three months ended June 30, 2008, in accordance with the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, we performed our annual impairment test on goodwill and concluded that goodwill was not impaired.

Intangible assets as of September 30, 2008 consist of the following:

| | Gross | Accumulated Amortization (In thousands) | Net |
|---|--------------|--|------------|
| Patents and technology rights | \$ 76,066 | \$ (65,208) | \$ 10,858 |
| Customer relationship and supply agreements | 8,858 | (6,080) | 2,778 |
| Total intangibles | \$ 84,924 | \$ (71,288) | \$ 13,636 |

Intangible assets as of December 31, 2007 consist of the following:

Accumulated &