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, 2010

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 000-29472

AMKOR TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**23-1722724**
(State of incorporation)	*(I.R.S. Employer Identification Number)*

1900 South Price Road
Chandler, AZ 85286
(Address of principal executive offices and zip code)

(480) 821-5000
(Registrant's telephone number, including area 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 ☐ (Do not check if a smaller reporting company)	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 29, 2010 was 183,785,342.

(This page intentionally left blank)

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2010

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands, except per share data)			
Net sales	$793,971	$616,205	$2,188,874	$1,511,497
Cost of sales	605,713	461,589	1,684,461	1,206,455
Gross profit	188,258	154,616	504,413	305,042
Operating expenses:				
Selling, general and administrative	57,735	53,619	180,387	156,132
Research and development	12,669	13,364	36,437	33,546
Gain on sale of real estate	—	(146)	—	(146)
Total operating expenses	70,404	66,837	216,824	189,532
Operating income	117,854	87,779	287,589	115,510
Other (income) expense:				
Interest expense	19,614	24,946	66,393	78,961
Interest expense, related party	3,812	3,813	11,437	9,187
Interest income	(695)	(481)	(2,275)	(1,525)
Foreign currency loss	8,456	8,259	9,010	2,161
Loss (gain) on debt retirement, net	235	1,226	18,042	(15,658)
Equity in earnings of unconsolidated affiliate	(2,174)	—	(4,883)	—
Other income, net	(85)	(126)	(475)	(77)
Total other expense, net	29,163	37,637	97,249	73,049
Income before income taxes	88,691	50,142	190,340	42,461
Income tax expense (benefit)	10,321	(30,854)	8,954	(25,940)
Net income	78,370	80,996	181,386	68,401
Net income attributable to noncontrolling interests	(350)	(133)	(19)	(407)
Net income attributable to Amkor	$ 78,020	$ 80,863	$ 181,367	$ 67,994
Net income attributable to Amkor per common share:				
Basic	$ 0.42	$ 0.44	$ 0.99	$ 0.37
Diluted	$ 0.30	$ 0.31	$ 0.70	$ 0.32
Shares used in computing per common share amounts:				
Basic	183,340	183,060	183,280	183,048
Diluted	282,495	282,356	282,523	238,568

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 417,498	$ 395,406
Restricted cash	2,679	2,679
Accounts receivable:		
Trade, net of allowances	450,146	328,252
Other	17,630	18,666
Inventories	203,873	155,185
Other current assets	44,239	32,737
Total current assets	1,136,065	932,925
Property, plant and equipment, net	1,533,439	1,364,630
Intangibles, net	15,360	9,975
Investments	26,019	19,108
Restricted cash	12,997	6,795
Other assets	98,024	99,476
Total assets	$ 2,821,904	$ 2,432,909
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 144,885	$ 88,944
Trade accounts payable	540,907	361,263
Accrued expenses	215,604	155,630
Total current liabilities	901,396	605,837
Long-term debt	985,137	1,095,241
Long-term debt, related party	250,000	250,000
Pension and severance obligations	97,858	83,067
Other non-current liabilities	6,510	9,063
Total liabilities	2,240,901	2,043,208
Commitments and contingencies (see Note 15)		
Equity:		
Amkor stockholders' equity:		
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, 183,436 and 183,171 shares issued and 183,391 and 183,171 outstanding, in 2010 and 2009, respectively	183	183
Additional paid-in capital	1,503,968	1,500,246
Accumulated deficit	(940,874)	(1,122,241)
Accumulated other comprehensive income	11,489	5,021
Treasury stock, at cost, 45 shares in 2010	(274)	—
Total Amkor stockholders' equity	574,492	383,209
Noncontrolling interests in subsidiaries	6,511	6,492
Total equity	581,003	389,701
Total liabilities and equity	$ 2,821,904	$ 2,432,909

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 181,386	$ 68,401
Depreciation and amortization	237,225	230,887
Loss (gain) on debt retirement, net	10,562	(15,658)
Other operating activities and non-cash items	(707)	(12,080)
Changes in assets and liabilities	(61,504)	(114,740)
Net cash provided by operating activities	366,962	156,810
Cash flows from investing activities:		
Purchases of property, plant and equipment	(276,672)	(111,929)
Proceeds from the sale of property, plant and equipment	2,399	1,570
Financing lease payment from unconsolidated affiliate	10,087	—
Other investing activities	(10,781)	(8,573)
Net cash used in investing activities	(274,967)	(118,932)
Cash flows from financing activities:		
Borrowings under revolving credit facilities	3,261	—
Payments under revolving credit facilities	(34,253)	—
Proceeds from issuance of short-term working capital facility	15,000	15,000
Payments of short-term working capital facility	(15,000)	—
Proceeds from issuance of long-term debt	611,007	100,000
Proceeds from issuance of long-term debt, related party	—	150,000
Payments of long-term debt, net of redemption premiums and discounts	(643,793)	(272,214)
Payments for debt issuance costs	(7,737)	(8,479)
Proceeds from issuance of stock through share-based compensation plans	881	348
Net cash used in financing activities	(70,634)	(15,345)
Effect of exchange rate fluctuations on cash and cash equivalents	731	(133)
Net increase in cash and cash equivalents	22,092	22,400
Cash and cash equivalents, beginning of period	395,406	424,316
Cash and cash equivalents, end of period	$ 417,498	$ 446,716
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 56,813	$ 68,313
Income taxes	$ 4,971	$ 8,752

The accompanying notes are an integral part of these statements.

1. Interim Financial Statements

Basis of Presentation. The Consolidated Financial Statements and related disclosures as of September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The December 31, 2009 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 U.S. generally accepted accounting principles ("U.S. GAAP") 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, 2009 filed on Form 10-K with the SEC on February 24, 2010. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year. All references to "Amkor," "we," "us," "our" or the "company" are to Amkor Technology, Inc. and our subsidiaries.

The U.S. dollar is our reporting currency and the functional currency for the majority of our foreign subsidiaries. For our subsidiaries and affiliate in Japan, the local currency is the functional currency.

Use of Estimates. The Consolidated Financial Statements have been prepared in conformity with U.S. GAAP, 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.

Treasury Stock. Treasury stock is acquired by us when certain restricted share awards vest or are forfeited (see Note 3). At the vesting or retirement eligibility date, a participant has a tax liability and, pursuant to the recipient's award agreement, we withhold restricted shares to satisfy statutory minimum tax withholding obligations. The withheld or forfeited restricted shares are accounted for as treasury stock and carried at cost.

2. New Accounting Standards

Recently Adopted Standards

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* ("ASU 2009-17"). This ASU codified consolidation guidance previously issued in June 2009 which applies to variable interest entities and affects the overall consolidation analysis under FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities. This standard is effective for fiscal years beginning after November 15, 2009. Our adoption of ASU 2009-17 on January 1, 2010, did not have an impact on our financial statements.

In December 2009, the FASB issued ASU 2009-16, *Accounting for Transfers of Financial Assets* ("ASU 2009-16"). This ASU codified guidance previously issued in June 2009 which amends existing derecognition guidance, eliminates the exemption from consolidation for qualifying special-purpose entities, and requires additional disclosures about a transferor's continuing involvement in transferred financial assets. This standard is effective for fiscal years beginning after November 15, 2009, and applies to financial asset transfers occurring on or after the effective date. Our adoption of ASU 2009-16 on January 1, 2010, did not have an impact on our financial statements.

3. Share-Based Compensation Plans

All of our share-based payments to employees, including grants of employee stock options and restricted shares, are measured at fair value and expensed over the requisite service period (generally the vesting period). The following table presents share-based compensation expense attributable to stock options and restricted shares. There is no deferred income tax benefit in either period.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Stock options	$ 591	$ 637	$ 1,850	$ 1,975
Restricted shares	149	—	883	—
Total share-based compensation expense	$ 740	$ 637	$ 2,733	$ 1,975

The following table presents share-based compensation expense as included in the Consolidated Statements of Operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Cost of sales	$ 7	$ 20	$ 20	$ 114
Selling, general and administrative	638	518	2,379	1,563
Research and development	95	99	334	298
Share-based compensation expense	$ 740	$ 637	$ 2,733	$ 1,975

Stock Options

The following is a summary of all common stock option activity for the nine months ended September 30, 2010:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2009	8,302	$ 10.35		
Granted	120	7.71		
Exercised	(166)	5.30		
Forfeited or expired	(248)	15.23		
Outstanding at September 30, 2010	8,008	$ 10.26	3.52	$ 2,071
Exercisable at September 30, 2010	7,117	$ 10.44	3.00	$ 1,871
Fully vested and expected to vest at September 30, 2010	7,937	$ 10.28	3.48	$ 2,056

There were no options granted during the three months ended September 30, 2010 and 2009. The following assumptions were used in the Black-Scholes option pricing model to calculate weighted average fair values of the options granted for the nine months ended September 30, 2010 and 2009:

	For the Nine Months Ended September 30,	
	2010	2009
Expected life (in years)	6.0	5.9
Risk-free interest rate	3.0%	2.3%
Volatility	71%	76%
Dividend yield	—	—
Weighted average grant date fair value per option granted	$ 5.00	$ 2.70

The intrinsic value of options exercised for the three and nine months ended September 30, 2010 was $0.1 million and $0.2 million, respectively. The intrinsic value of options exercised for the three and nine months ended September 30, 2009 was $0.1 million and $0.1 million, respectively. For the nine months ended September 30, 2010, cash received for stock option exercises was $0.9 million, while $0.3 million was received in the nine months ended September 30, 2009. No tax benefits were realized. The related cash receipts are included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows. Total unrecognized compensation expense from stock options, including a forfeiture estimate, was approximately $3.7 million as of September 30, 2010, which is expected to be recognized over a weighted-average period of 1.9 years beginning October 1, 2010. To the extent that the actual forfeiture rate is different than what we have anticipated, the share-based compensation expense related to these awards will be different from our expectations.

Restricted Shares

In February 2010, we granted 472,000 restricted shares to employees under the 2007 Equity Incentive Plan. The restricted shares vest ratably over 4 years, with 25% of the shares vesting at the end of the first year, and 1/48th each month thereafter, such that 100% of the shares will become vested on the fourth anniversary of the award date, subject to the recipient's continued employment with us on the applicable vesting dates. In addition, provided that the restricted shares have not been forfeited earlier, the restricted shares will vest upon the recipient's death, disability or retirement, or upon a change in control of Amkor. Although ownership of the restricted shares does not transfer to the recipients until the shares have vested, recipients have voting and dividend rights on these shares from the date of grant. The value of the restricted shares is determined based on the fair market value of the underlying shares on the date of the grant and is recognized ratably over the vesting period or to the date on which the recipient becomes retirement eligible, if shorter.

The Equity Incentive Plan provides that when a recipient's age plus years of service equals or exceeds 75, the recipient will be eligible to voluntarily retire and become fully vested in their restricted shares upon retirement. Consequently, under federal tax law, when a recipient becomes retirement eligible, the employee is immediately taxable on 100% of their restricted shares whether or not the recipient actually retires. Upon the earlier of retirement eligibility or vesting of the restricted shares, the recipient has a tax liability and pursuant to the recipient's award agreement, a portion of the restricted shares are withheld to satisfy the recipient's statutory minimum tax withholding obligations. The shares withheld are accounted for as treasury stock at cost, which is determined by the closing stock price per share on the applicable date of vesting or retirement eligibility.

The following table summarizes our restricted share activity for the nine months ended September 30, 2010:

	Number of Shares (In thousands)	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2009	—	
Awards granted	472	$ 5.96
Awards vested	(81)	5.96
Awards forfeited	(18)	5.96
Nonvested at September 30, 2010	373	$ 5.96

Awards vested include 81,000 shares for retirement eligible recipients whose restricted shares are treated for accounting and tax purposes as if vested when they meet the retirement eligible date. Of those 81,000 shares, 27,806 shares were withheld to satisfy tax withholding obligations and are treated as treasury stock, at a cost of $0.2 million. The unrecognized compensation cost, including a forfeiture estimate, was $1.7 million as of September 30, 2010, which is expected to be recognized over a weighted average period of approximately 3.1 years beginning October 1, 2010. To the extent that the actual forfeiture rate is different than what we have anticipated, the share-based compensation expense related to these awards will be different from our expectations.

4. Income Taxes

Our income tax expense of $9.0 million for the nine months ended September 30, 2010 reflects $12.2 million of expense primarily related to income taxes at certain of our foreign operations, foreign withholding taxes and minimum taxes, partially offset by the release of a $3.2 million valuation allowance on net deferred tax assets of a Taiwan subsidiary. Our income tax expense reflects the benefit from tax holidays and lower income tax rates in certain foreign jurisdictions. We released the valuation allowance during the three months ended June 30, 2010 because we believe that sufficient positive evidence now exists to support the conclusion it is more likely than not that we will realize the benefits of these deferred tax assets. The positive evidence we considered was: (i) the consistent profitability of these operations over a two year period, which included the recent downturn in the semiconductor industry in late 2008 and 2009; (ii) the increase in profitability experienced in the second quarter of 2010 based on demand for the products from these operations; and (iii) our expectation that we will realize substantially all of the deferred tax assets over the next three years for these operations.

At September 30, 2010, we had U.S. net operating loss carryforwards totaling $384.3 million, which expire at various times through 2030. Additionally, at September 30, 2010, we had $46.2 million of non-U.S. net operating loss carryforwards, which expire at various times through 2020. 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. Such valuation allowances are released as the related tax benefits are realized on our tax returns or when sufficient net positive evidence exists to conclude it is more likely than not that the deferred tax assets will be realized.

Our gross unrecognized tax benefits increased from $5.1 million at December 31, 2009 to $5.4 million as of September 30, 2010 primarily because of $1.8 million of additions for contested deductions in a foreign jurisdiction, partially offset by reductions for expired statutes of limitations. All of the September 30, 2010 balance of $5.4 million, if recognized, would affect the effective tax rate. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by up to $3.6 million within the next twelve months related to our eligibility for certain tax incentives in a foreign jurisdiction and the expected resolution of the aforementioned contested deductions. Our unrecognized tax benefits are subject to change as examinations of tax years are completed. Tax return examinations involve uncertainties and there can be no assurances regarding the outcome of examinations.

5. Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income (loss) attributable to Amkor common stockholders by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding includes restricted shares held by retirement eligible recipients and a reduction for treasury stock acquired. The accounting framework for calculating earnings per share includes guidance on unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents and states that they are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. As discussed in Note 3, we granted restricted shares which entitle recipients to voting and nonforfeitable dividend rights from the date of grant. As a result, we have applied the two-class method to determine earnings per share.

Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding employee stock options, unvested restricted shares and convertible debt. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands, except per share data)			
Net income attributable to Amkor	$ 78,020	$ 80,863	$ 181,367	$ 67,994
Income allocated to participating securities	(159)	—	(369)	—
Net income available to Amkor common stockholders	77,861	80,863	180,998	67,994
Adjustment for dilutive securities on net income:				
Interest on 2.5% convertible notes due 2011, net of tax	329	329	988	—
Interest on 6.25% convertible notes due 2013, net of tax	1,592	1,592	4,777	—
Interest on 6.0% convertible notes due 2014, net of tax	4,026	4,028	12,077	8,060
Net income attributable to Amkor — diluted	$ 83,808	$ 86,812	$ 198,840	$ 76,054
Weighted average shares outstanding — basic	183,340	183,060	183,280	183,048
Effect of dilutive securities:				
Stock options	161	245	276	29
Unvested restricted shares	66	—	39	—
2.5% convertible notes due 2011	2,919	2,919	2,919	—
6.25% convertible notes due 2013	13,351	13,351	13,351	—
6.0% convertible notes due 2014	82,658	82,781	82,658	55,491
Weighted average shares outstanding — diluted	282,495	282,356	282,523	238,568
Net income attributable to Amkor per common share:				
Basic	$ 0.42	$ 0.44	$ 0.99	$ 0.37
Diluted	0.30	0.31	0.70	0.32

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,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Stock options	6,900	7,311	6,819	8,429
2.5% convertible notes due 2011	—	—	—	5,067
6.25% convertible notes due 2013	—	—	—	13,351
Total potentially dilutive shares	6,900	7,311	6,819	26,847

6. Equity and Comprehensive Income

The following table reflects the changes in equity and comprehensive income attributable to both Amkor and the noncontrolling interests:

	Attributable to Amkor	Attributable to Noncontrolling Interests	Total
		(In thousands)	
Equity at December 31, 2009	$ 383,209	$ 6,492	$ 389,701
Comprehensive income:			
Net income	181,367	19	181,386
Other comprehensive income:			
Pension liability adjustment, net of tax	223	—	223
Cumulative translation adjustment	6,245	—	6,245
Total other comprehensive income	6,468	—	6,468
Comprehensive income	187,835	19	187,854
Treasury stock acquired through surrender of shares for tax withholdings or forfeitures	(274)	—	(274)
Issuance of stock through employee stock compensation plans	989	—	989
Stock compensation expense	2,733		2,733
Equity at September 30, 2010	$ 574,492	$ 6,511	$ 581,003
Equity at December 31, 2008	$ 237,139	$ 6,024	$ 243,163
Comprehensive loss:			
Net income	67,994	407	68,401
Other comprehensive (loss) income:			
Pension liability adjustment, net of tax	(4,359)	—	(4,359)
Cumulative translation adjustment	764	128	892
Total other comprehensive (loss) income	(3,595)	128	(3,467)
Comprehensive income	64,399	535	64,934
Issuance of stock through employee stock compensation plans	348	—	348
Stock compensation expense	1,975	—	1,975
Equity at September 30, 2009	$ 303,861	$ 6,559	$ 310,420

7. Inventories

Inventories consist of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Raw materials and purchased components	$ 141,630	$ 119,393
Work-in-process	62,243	35,792
Total inventories	$ 203,873	$ 155,185

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Land	$ 106,338	$ 106,395
Land use rights	19,945	19,945
Buildings and improvements	850,230	832,782
Machinery and equipment	2,681,221	2,382,220
Software and computer equipment	180,413	151,208
Furniture, fixtures and other equipment	20,568	27,030
Construction in progress	43,020	57,775
	3,901,735	3,577,355
Less accumulated depreciation and amortization	(2,368,296)	(2,212,725)
Total property, plant and equipment, net	$ 1,533,439	$ 1,364,630

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

	For the Nine Months Ended September 30, 2010	2009
	(In thousands)	
Property, plant and equipment additions	$ 402,354	$ 128,982
Net change in related accounts payable and deposits	(125,682)	(17,053)
Purchases of property, plant, and equipment	$ 276,672	$ 111,929

9. Intangible Assets

Acquired intangibles as of September 30, 2010 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$ 54,409	$ (49,129)	$ 5,280
Customer relationships	22,483	(12,403)	10,080
Total intangibles	$76,892	$ (61,532)	$15,360

In May 2010, we executed supply and technology development agreements with a customer which require us to make approximately $9.5 million of cash payments of which $4.5 million was paid as of September 30, 2010, and the balance of $5.0 million was recorded as a liability at September 30, 2010. Approximately $8.0 million was recorded as a customer relationship intangible asset, and $1.5 million was recorded as technology rights.

Acquired intangibles as of December 31, 2009 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$53,059	$ (48,214)	$ 4,845
Customer relationships	14,483	(9,353)	5,130
Total intangibles	$67,542	$ (57,567)	$9,975

Amortization of identifiable intangible assets for the three months ended September 30, 2010 and 2009 was $1.8 million and $1.3 million, respectively. Amortization of identifiable intangible assets for the nine months ended September 30, 2010 and 2009 was $4.2 million and $5.8 million, respectively. Based on the amortizing assets recognized in our balance sheet at September 30, 2010, amortization for each of the next five years is estimated as follows:

	(In thousands)
2010 Remaining	$ 1,714
2011	5,388
2012	3,737
2013	3,346
2014	633
Thereafter	542
Total amortization	$ 15,360

10. Investments

Investments consist of the following:

	September 30, 2010		December 31, 2009	
	Carrying Value (In thousands)	Ownership Percentage	Carrying Value (In thousands)	Ownership Percentage
Investment in unconsolidated affiliate	$ 26,019	30.0%	$ 19,108	30.0%

J-Devices Corporation

On October 30, 2009, Amkor and Toshiba Corporation ("Toshiba") invested in Nakaya Microdevices Corporation ("NMD") and formed a joint venture to provide semiconductor assembly and final testing services in Japan. As a result of the transaction, NMD is now owned 60% by the existing shareholders of NMD, 30% by Amkor and 10% by Toshiba and has changed its name to J-Devices. J-Devices is a variable interest entity, but as we are not the primary beneficiary, the investment is accounted for as an unconsolidated affiliate.

Our investment includes our 30% equity interest and call options to acquire additional equity interest. Under the equity method of accounting, we recognize our 30% proportionate share of J-Devices' net income or loss which includes J-Devices' income taxes in Japan, during each accounting period. In addition, we record equity method adjustments for the amortization of a basis difference as our carrying value exceeded our equity in the net assets of J-Devices at the date of investment and other adjustments required by the equity method.

In conjunction with entering into the joint venture, one of our existing subsidiaries in Japan purchased assembly and test equipment from Toshiba and leased the equipment to J-Devices under an agreement which is accounted for as a direct financing lease. For the three and nine months ended September 30, 2010, we recognized $0.2 million and $0.8 million, respectively, in interest income. Our lease receivables consist of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Current (Other accounts receivable)	$ 12,770	$ 13,581
Non-current (Other assets)	25,771	32,225
Total lease receivable	$ 38,541	$ 45,806

11. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Payroll and benefits	$ 81,077	$ 42,228
Customer advances and deferred revenue	41,762	49,136
Accrued interest	30,404	13,832
Income taxes payable	9,593	2,947
Accrued severance plan obligations (Note 13)	5,593	4,466
Other accrued expenses	47,175	43,021
Total accrued expenses	$ 215,604	$ 155,630

12. Debt

Following is a summary of short-term borrowings and long-term debt:

	September 30, 2010	December 31, 2009
	(In thousands)	
Debt of Amkor Technology, Inc.		
Senior secured credit facilities:		
$100 million revolving credit facility, LIBOR + 2.25%-2.75%, due April 2015	$ —	$ —
Senior notes:		
7.125% Senior notes due March 2011	—	53,503
7.75% Senior notes due May 2013	—	358,291
9.25% Senior notes due June 2016	264,283	390,000
7.375% Senior notes due May 2018	345,000	—
Senior subordinated notes:		
2.5% Convertible senior subordinated notes due May 2011	42,579	42,579
6.0% Convertible senior subordinated notes due April 2014, $150 million related party	250,000	250,000
Subordinated notes:		
6.25% Convertible subordinated notes due December 2013, related party	100,000	100,000
Debt of subsidiaries:		
Term loan, bank base rate + 0.5% due April 2014	160,710	192,852
Term loan, bank funding rate-linked base rate + 1.99% due May 2013	128,000	—
Term loan, 90-day primary commercial paper rate + 0.835% due April 2015	47,746	—
Term loan TIBOR + 0.8%, due September 2012	21,940	—
Term loan TIBOR + 0.65%, due July 2011	3,726	—
Working capital facility, LIBOR + 1.7%, due January 2011	15,000	15,000
Revolving credit facilities	—	30,435
Secured equipment and property financing	1,038	1,525
	1,380,022	1,434,185
Less: Short-term borrowings and current portion of long-term debt	(144,885)	(88,944)
Long-term debt (including related party)	$ 1,235,137	$ 1,345,241

In September 2010, we amended our $100.0 million senior secured revolving credit facility and extended its term by two years to April 2015. The facility has a letter of credit sub-facility of $25.0 million. The amendment reduces the interest rate on borrowings under the facility by 100 basis points on base rate loans and 125 basis points on LIBOR rate loans. As amended, interest is charged under the facility at a floating rate based on the base rate in effect from time to time plus the applicable margins which range from 1.0% to 1.5% for base rate revolving loans, or LIBOR plus 2.25% to 2.75% for LIBOR revolving loans. The LIBOR-based interest rate at September 30, 2010 was 2.51%. In connection with amending and extending our $100.0 million facility, we capitalized $0.3 million of deferred debt issuance costs for the nine months ended September 30, 2010.

There have been no borrowings under our senior secured credit facility as of September 30, 2010; however, we have utilized $0.5 million of the available letter of credit sub-facility of $25.0 million. The borrowing base for the revolving credit facility is based on the amount of our eligible accounts receivable, which exceeded $100.0 million as of September 30, 2010.

In May 2010, we announced a tender offer for up to $175.0 million of our outstanding 9.25% Senior Notes due June 2016 (the "2016 Notes"). We used proceeds from the lower interest rate ATK Loan (described below) to purchase $125.7 million in notes tendered. We recorded a $6.7 million loss on extinguishment related to premiums and fees paid for the tender of the 2016 Notes and a $1.6 million charge for the write-off of the associated unamortized deferred debt issuance costs. Both charges are included in debt retirement costs, net in our Consolidated Statement of Operations for the nine months ended September 30, 2010.

In May 2010, Amkor Technology Korea, Inc., a Korean wholly-owned subsidiary ("ATK"), entered into a $180.0 million, 3-year secured term loan with a Korean bank (the "ATK Loan"), of which $47.0 million was repaid in July 2010 upon conclusion of the tender offer described above. The ATK Loan is guaranteed on an unsecured basis by Amkor Technology, Inc. ("Amkor") and is secured by substantially all the land, factories, and equipment located at our ATK facilities. The ATK Loan bears interest at the bank's funding rate-linked base rate plus 1.99% (5.49% as of September 30, 2010) and amortizes in 11 equal quarterly installments of $5 million per installment, with the remaining balance of $78.0 million due in May 2013.

In May 2010, we issued $345.0 million of our 7.375% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes were issued at par and are senior unsecured obligations. Interest is payable semi-annually on May 1 and November 1 of each year at a rate of 7.375%, commencing on November 1, 2010. In addition, we entered into a Registration Rights Agreement with the initial purchasers of the 2018 Notes where we agreed to use our reasonable best efforts to cause to become effective a registration statement to exchange the 2018 Notes for freely tradable notes issued by us. On September 14, 2010, we filed a registration statement, which became effective on October 21, 2010, to exchange the 2018 Notes for freely tradable notes issued by us. If we are unable to effect the exchange offer within 210 days, we agreed to pay additional interest on the notes. We incurred $7.4 million of debt issuance costs associated with the 2018 Notes in the three months ended June 30, 2010. We used the net proceeds together with existing cash to redeem in full the $53.5 million outstanding principal amount of our 7.125% Senior Notes due 2011 (the "2011 Notes") and the $358.3 million principal amount of our 7.75% Senior Notes due 2013 (the "2013 Notes"), and to pay related fees and expenses during the three months ended June 30, 2010. In connection with the prepayment of the 2011 and 2013 Notes, we recorded a loss on extinguishment of $9.5 million in June 2010, which included $7.3 million in prepayment fees and a $2.2 million write-off of the associated unamortized deferred debt issuance costs. Both charges are included in debt retirement costs, net in our Consolidated Statement of Operations for the nine months ended September 30, 2010.

In April 2010, Amkor Technology Taiwan Ltd, a Taiwanese subsidiary, entered into a 1.5 billion Taiwan dollar (approximately $47 million) term loan with a Taiwanese bank due April 2015 primarily to fund capital expenditures. The loan is guaranteed on an unsecured basis by Amkor and is collateralized with certain land, buildings, and equipment in Taiwan. Principal payments are due annually in the first year and semiannually thereafter, and interest payments are due monthly. The term loan accrues interest at the 90-day primary commercial paper rate plus 0.835% (2.32% as of September 30, 2010). The borrowing outstanding at September 30, 2010 was $47.7 million.

In March 2010, Amkor Iwate Company, Ltd., a Japanese subsidiary ("AIC"), entered into a 2.5 billion Japanese yen (approximately $28 million) term loan with a Japanese bank due September 2012. Principal amounts borrowed are to be repaid in equal quarterly payments and may be prepaid at any time without penalty. The term loan accrues interest monthly at the Tokyo Interbank Offering Rate ("TIBOR") plus 0.8% (1.4% as of September 30, 2010). The borrowing outstanding at September 30, 2010 was $21.9 million. The proceeds of the term loan were used to repay the revolving line of credit with the same bank.

Additionally, in March 2010, AIC entered into a 1.0 billion Japanese yen (approximately $11 million) term loan with another Japanese bank initially due October 2012. In May 2010, we prepaid $5.3 million of the outstanding balance, which changed the maturity date to July 2011. Principal amounts borrowed are to be repaid in equal monthly payments and may be prepaid at any time without penalty. The term loan accrues interest monthly at TIBOR plus 0.65% (0.86% as of September 30, 2010). The borrowing outstanding was $3.7 million as of September 30, 2010. The term loan is collateralized with certain equipment located at our AIC facilities. The proceeds of the term loan were used to repay the $3.3 million of AIC's existing revolving line of credit balance and the remaining proceeds were used for general corporate purposes.

At September 30, 2010, Mr. James J. Kim, our Executive Chairman of the Board of Directors, and certain Kim family members owned all of the $100.0 million principal amount of our 6.25% Convertible Subordinated Notes due December 2013, $150.0 million principal amount of our 6.0% Convertible Senior Subordinated Notes due April 2014, and $35.6 million principal amount of our outstanding 9.25% Senior Notes due 2016. The 2016 notes were acquired in open market purchases during 2008 and 2009.

Our secured bank debt agreements and the indentures governing our senior, convertible senior subordinated and subordinated notes and our senior secured credit facility contain a number of affirmative and negative covenants which could restrict our operations. We were in compliance with all of our covenants as of September 30, 2010.

13. Pension and Severance Plans

Foreign Pension Plans

Our Philippine, Taiwanese and Japanese subsidiaries sponsor defined benefit plans that cover substantially all of their respective employees who are not covered by statutory plans. Charges to expense are based upon actuarial analyses. The components of net periodic pension cost for these defined benefit plans are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$1,499	$ 1,076	$ 4,403	$ 3,266
Interest cost	944	722	2,786	2,220
Expected return on plan assets	(591)	(321)	(1,744)	(1,022)
Amortization of transitional obligation	3	17	9	51
Amortization of prior service cost	72	16	212	48
Recognized actuarial loss (gain)	7	—	20	(23)
Net periodic pension cost	1,934	1,510	5,686	4,540
Curtailment gain	—	—	—	(1,109)
Total pension expense	$ 1,934	$ 1,510	$5,686	$ 3,431

During the nine months ended September 30, 2009, we recognized a curtailment gain of $1.1 million related to the remeasurement of two defined benefit plans due to reductions in force programs (see Note 17).

For the three and nine months ended September 30, 2010, we contributed $0.1 million and $7.6 million to the pension plans, respectively, and we expect to contribute an additional $0.1 million during 2010.

Korean Severance Plan

Our Korean subsidiary participates in an accrued severance plan that covers employees, officers and directors with at least one year of service. Eligible employees are entitled to receive a lump-sum payment upon termination of employment, based on their length of service, seniority and average monthly wages at the time of termination. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. Our contributions to the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities.

The provision recorded for severance benefits for the three months ended September 30, 2010 and 2009 was $6.4 million and $5.8 million, respectively. The provision recorded for severance benefits for the nine months ended September 30, 2010 and 2009 was $17.0 million and $12.6 million, respectively. The balance recorded in non-current pension and severance obligations for accrued severance at our Korean subsidiary was $78.7 million and $64.4 million at September 30, 2010 and December 31, 2009, respectively.

For information regarding the Korean subsidiary voluntary early retirement program offered in October 2010, see Note 17 to the Consolidated Financial Statements included in this Quarterly Report.

14. Fair Value Measurements

The accounting framework for determining fair value for assets and liabilities includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

Assets and Liabilities that are Measured or Disclosed at Fair Value on a Recurring Basis

Our financial assets and liabilities recorded at fair value on a recurring basis include cash and cash equivalents and restricted cash. Cash and cash equivalents and restricted cash are invested in U.S. money market funds and various U.S. and foreign bank operating and time deposit accounts, which are due on demand or carry a maturity date of less than three months when purchased. No restrictions have been imposed on us regarding withdrawal of balances with respect to our cash and cash equivalents as a result of liquidity or other credit market issues affecting the money market funds we invest in or the counterparty financial institutions holding our deposits. Money market funds and restricted cash are valued using quoted market prices in active markets for identical assets as summarized in the following table:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In thousands)		
Cash equivalent money market funds	$ 188,710	$ —	$ —	$188,710
Restricted cash	13,852	—	—	$ 13,852

The following table presents the financial instruments that are not recorded at fair value but which require fair value disclosure as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
	(In thousands)	
Carrying value of debt		
Quoted prices in active markets for identical assets (Level 1)	$ 901,862	$ 1,094,373
Significant other observable inputs (Level 2)	$ 478,160	$ 339,812
	$ 1,380,022	$ 1,434,185
Fair value of debt:		
Quoted prices in active markets for identical assets (Level 1)	$ 1,267,779	$ 1,509,079
Significant other observable inputs (Level 2)	486,419	359,595
Total fair value of debt	$ 1,754,198	$ 1,868,674

Publicly quoted trading prices are based on the market prices on the respective balance sheet dates. Market based observable inputs include current borrowing rates for similar types of borrowing arrangements considering duration, optionality, and risk profile.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities, including property, plant and equipment, intangible assets and an equity investment, at fair value on a nonrecurring basis. Impairment losses on property, plant, and equipment included in cost of sales were $0.1 million and $1.5 million for the three months ended September 30, 2010 and 2009, respectively. Impairment losses on property, plant, and equipment included in cost of sales were $1.4 million and $4.2 million for the nine months ended September 30, 2010 and 2009, respectively. Impairment losses included in research and development expenses were $2.6 million for the three and nine months ended September 30, 2009. There were no impairment losses included in research and development expenses in 2010.

15. Commitments and Contingencies

We have a $100.0 million senior secured revolving credit facility that matures in April 2015. The facility has a letter of credit sub-facility of $25.0 million. As of September 30, 2010, we have $0.5 million of standby letters of credit outstanding and have an additional $24.5 million available for letters of credit. Such standby letters of credit are used in the ordinary course of our business and are collateralized by our cash balances.

We generally warrant that our services will be performed in a professional and workmanlike manner and in compliance with our customers' specifications. We accrue costs for known warranty issues. Historically, our warranty costs have been immaterial.

Legal Proceedings

We are involved in claims and legal proceedings and we may become involved in other legal matters arising in the ordinary course of our business. We evaluate these claims and legal matters on a case-by-case basis to make a determination as to the impact, if any, on our business, liquidity, results of operations, financial condition or cash flows. Except as indicated below, we currently believe that the ultimate outcome of these claims and proceedings, individually and in the aggregate, will not have a material adverse impact to us. Our evaluation of the potential impact of these claims and legal proceedings on our business, liquidity, results of operations, financial condition or cash flows could change in the future. We currently are party to the legal proceedings described below. Attorney fees related to legal matters are expensed as incurred.

Arbitration Proceedings with Tessera, Inc.

On March 2, 2006, Tessera, Inc. filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce (the "ICC"), captioned Tessera, Inc. v. Amkor Technology, Inc. Thesubject matter of the arbitration was a license agreement ("License Agreement") entered into between Tessera and our predecessor in 1996.

On October 27, 2008, the arbitration panel in that proceeding issued an interim order in this matter. While the panel found that most of the packages accused by Tessera were not subject to the patent royalty provisions of the License Agreement, the panel did find that past royalties were due to Tessera as damages for some infringing packages. The panel also denied Tessera's request to terminate the License Agreement.

On January 9, 2009, the panel issued the final damage award in this matter awarding Tessera $60.6 million in damages for past royalties due under the License Agreement. The award was for the period March 2, 2002 through December 1, 2008. The final award, plus interest, and the royalties for December 2008, were paid when due in February 2009.

We have been calculating, accruing and paying royalties under the License Agreement for periods subsequent to December 1, 2008 using the same methodology specified in the panel's interim order for calculating damages for past royalties. Tessera has made repeated statements to customers and others claiming that we are in breach of the royalty provisions of the License Agreement. We informed Tessera that we are in full compliance with the License Agreement and of our intent to continue making the royalty payments when due in accordance with the terms of the License Agreement.

On August 7, 2009, we filed a request for arbitration in the ICC against Tessera, captioned *Amkor Technology, Inc. v. Tessera, Inc*. We have instituted this action in order to obtain declaratory relief confirming that we are a licensee in good standing under our 1996 License Agreement with Tessera and that the License Agreement remains in effect. We are also seeking damages and injunctive relief regarding Tessera's tortious interference with our contractual relations and prospective economic advantage, including Tessera's false and misleading statements questioning our status as a licensee under the License Agreement.

On November 2, 2009, Tessera filed an answer to our request for arbitration and counterclaims in the ICC. In the answer and counterclaims, Tessera denies Amkor's claims. Tessera also alleges breach of contract, seeking termination of the License Agreement and asserting that Amkor owes Tessera additional royalties under the License Agreement, including royalties for use of thirteen U.S. and six foreign patents that Tessera did not assert in the previous arbitration. Tessera also alleges that Amkor has tortiously interfered with Tessera's prospective business relationships and seeks damages. Tessera claims that the amount in dispute is approximately $100 million.

We filed our response to Tessera's answer on January 15, 2010 denying Tessera's claims and filed a motion with the panel seeking priority consideration and phased early determination of issues from the previous arbitration decision, including the proper method for calculating royalties under the License Agreement for periods subsequent to December 1, 2008. On March 28, 2010, the panel granted our request for priority consideration and phased early determination. The first hearing is expected to occur during the fourth quarter of 2010.

While we believe we are a licensee in good standing and are paying all royalties to Tessera due under the License Agreement, the outcome of this matter is uncertain and an adverse decision could have a material adverse effect on our results of operations, cash flows and financial condition.

In connection with the new arbitration proceeding, we deposited $5.1 million in an escrow account, which is classified as restricted cash in non-current assets at December 31, 2009. This amount represented our good faith estimate of the disputed amount of royalties that we expected Tessera to allege that we owe on packages assembled by us for one of our customers for the period from December 2, 2008 through June 30, 2009. We deposited an additional $6.1 million in escrow in February 2010 covering the period from July 1 through December 31, 2009 and

$3.9 million in October 2010 covering the period from January 1, 2010 through June 30, 2010. We do not believe that the funds held in escrow are owed to Tessera and these funds may only be distributed upon the order of the panel in the current arbitration proceeding.

Amkor Technology, Inc. v. Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc.

On November 17, 2003, we filed a complaint against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively "Carsem") with the International Trade Commission ("ITC") in Washington, D.C., alleging infringement of our United States Patent Nos. 6,433,277; 6,455,356 and 6,630,728 (collectively the "Amkor Patents") and seeking, under Section 337 of the Tariff Act of 1930, an exclusion order barring the importation by Carsem of infringing products. We allege that by making, using, selling, offering for sale, or importing into the U.S. the Carsem Dual and Quad Flat No-Lead Packages, Carsem has infringed on one or more of our *Micro*LeadFrame packaging technology claims in the Amkor Patents.

On November 18, 2003, we also filed a complaint in the U.S. District Court for the Northern District of California, alleging infringement of the Amkor Patents and seeking an injunction enjoining Carsem from further infringing the Amkor Patents, compensatory damages, and treble damages due to willful infringement plus interest, costs and attorney's fees. This District Court action has been stayed pending resolution of the ITC case.

The ITC Administrative Law Judge ("ALJ") conducted an evidentiary hearing during July and August of 2004 in Washington D.C. and, on November 18, 2004, issued an Initial Determination that Carsem infringed some of our patent claims relating to our *Micro*LeadFrame package technology, that some of our 21 asserted patent claims are valid, that we have a domestic industry in our patents, and that all of our asserted patent claims are enforceable. However, the ALJ did not find a statutory violation of Section 337 of the Tariff Act.

We filed a petition in November 2004 to have the ALJ's ruling reviewed by the full International Trade Commission. On March 31, 2005, the ITC ordered a new claims construction related to various disputed claim terms and remanded the case to the ALJ for further proceedings. On November 9, 2005, the ALJ issued an Initial Determination on remand finding that Carsem infringed some of our patent claims and that Carsem had violated Section 337 of the Tariff Act.

On remand, the ITC had also authorized the ALJ to reopen the record on certain discovery issues related to a subpoena of documents from a third party. An order by the U.S. District Court for the District of Columbia enforcing the subpoena became final on January 9, 2009, and the third party produced documents pursuant to the subpoena.

On July 1, 2009, the Commission remanded the investigation for a second time to the ALJ to reopen the record to admit into evidence documents and related discovery obtained from the enforcement of the above-referenced third-party subpoena.

Following a two-day hearing, on October 30, 2009, the ALJ issued an Initial Determination reaffirming his prior ruling that the Carsem Dual and Quad Flat No-Lead Packages infringe some of Amkor's patent claims relating to *Micro*LeadFrame package technology, that all of Amkor's asserted patent claims are valid, and that Carsem violated Section 337 of the Tariff Act.

On December 16, 2009, the Commission ordered a review of the ALJ's Initial Determination. On February 18, 2010, the Commission reversed a finding by the ALJ on the issue of whether a certain invention constitutes prior art to Amkor's asserted patents. The Commission remanded the investigation to the ALJ to make further findings in light of the Commission's ruling. On March 22, 2010, the ALJ issued a Supplemental Initial Determination. Although the ALJ's ruling did not disturb the prior finding that Carsem Dual and Quad Flat No-Lead Packages infringe some of Amkor's patent claims relating to *Micro*LeadFrame technology, the ALJ found that some of Amkor's patent claims are invalid and, as a result, the ALJ did not find a statutory violation of the Tariff Act. On July 20, 2010, the Commission issued a Notice of Commission Final Determination, in which the Commission determined that there is no violation of Section 337 of the Tariff Act and terminated the investigation. On July 27, 2010, the Commission issued a confidential Commission Opinion, a public version of which is expected in the future. We appealed the Commission's ruling to the U.S. Court of Appeals for the Federal Circuit in September 2010.

16. Business Segments

We have two reportable segments, packaging and test. Packaging and test are integral parts of the process of manufacturing semiconductor devices and our customers will engage with us for both packaging and test services, or just packaging or test services. The packaging process creates an electrical interconnect between the semiconductor chip and the system board. In packaging, fabricated semiconductor wafers are separated into individual chips. These chips are typically attached through wire bond or wafer bump technologies to a substrate or leadframe and then encased in a protective material. In the case of an advanced wafer level package, the package is assembled on the surface of a wafer. The packaged chips are then tested using sophisticated equipment to ensure that each packaged chip meets its design and performance specifications.

The accounting policies for segment reporting are the same as those for our Consolidated Financial Statements. We evaluate our operating segments based on gross margin and gross property, plant and equipment. We do not specifically identify and allocate total assets by operating segment. Summarized financial information concerning reportable segments is shown in the following table. The "other" column includes exit costs associated with contractual obligations for our Singapore land and building leases as well as asset impairments.

	Packaging	Test	Other	Total
		(In thousands)		
Three Months Ended September 30, 2010				
Net sales	$ 712,397	81,526	48	$ 793,971
Gross profit	$ 158,361	29,738	159	$ 188,258
Three Months Ended September 30, 2009				
Net sales	$ 549,265	66,826	114	$ 616,205
Gross profit	$ 136,645	18,902	(931)	$ 154,616
Nine Months Ended September 30, 2010				
Net sales	$1,970,921	217,717	236	$ 2,188,874
Gross profit	$ 440,402	64,241	(230)	$ 504,413
Nine Months Ended September 30, 2009				
Net sales	$ 1,336,539	174,853	105	$1,511,497
Gross profit	$ 274,675	36,739	(6,372)	$ 305,042
Gross Property, Plant and Equipment				
September 30, 2010	$ 2,960,477	798,555	142,703	$ 3,901,735
December 31, 2009	$2,689,005	753,234	135,116	$3,577,355

17. Exit Activities and Reductions in Force

As part of our ongoing efforts to improve our manufacturing operations and manage costs, we regularly evaluate our staffing levels and facility requirements compared to business needs. The following table summarizes our exit activities and reduction in force initiatives for the nine months ended September 30, 2010 and 2009.

“Charges” represents the initial charge related to the exit activity. “Cash Payments” consists of the utilization of “Charges”. “Adjustments” represents revisions of estimates. “Non-cash Amounts” consists of a curtailment gain, the relief of an asset retirement obligation and asset impairments.

	Employee Separation Costs	Contractual Obligations	Asset Impairments	Other	Total
			(In thousands)		
Accrual at December 31, 2009	$ 3,938	$ 2,813	$ —	$ —	$ 6,751
Charges	2,466	41	282	—	2,789
Cash Payments	(3,274)	(2,854)	—	—	(6,128)
Non-cash Amounts	—	—	(282)	—	(282)
Accrual at September 30, 2010	$ 3,130	$ —	$ —	$ —	$ 3,130

	Employee Separation Costs	Contractual Obligations	Asset Impairments	Other	Total
			(In thousands)		
Accrual at December 31, 2008	$ 782	$ —	$ —	$ —	$ 782
Charges	10,619	4,687	2,041	186	17,533
Cash Payments	(9,630)	(775)	—	—	(10,405)
Adjustments	(135)	(468)	—	—	(603)
Non-cash Amounts	1,105	1,093	(2,041)	(186)	(29)
Accrual at September 30, 2009	$ 2,741	$ 4,537	$ —	$ —	$ 7,278

Singapore Manufacturing Operations

In June 2009, we communicated to our employees the decision to wind-down and exit our manufacturing operations in Singapore. We relocated the majority of the machinery and equipment to our other factories. We expect to complete our exit plans before the end of 2010.

The liability for our one-time involuntary termination benefits for employees that have provided services beyond the minimum retention period is recognized over the future service period. During the three months ended September 30, 2010 and 2009, we recorded charges for termination benefits of $0.4 million and $1.4 million, respectively, of which $0.3 million and $1.0 million were recorded in cost of sales and $0.1 million and $0.4 million, were recorded in selling, general and administrative expenses, respectively. During the nine months ended September 30, 2010 and 2009, we recorded charges for termination benefits of $2.5 million and $3.1 million, respectively, of which $1.7 million and $2.2 million were recorded in cost of sales, $0.8 million and $0.8 million were recorded in selling, general and administrative expenses and zero and $0.1 million were recorded in research and development expense, respectively. As of September 30, 2010, we expect to incur approximately $0.3 million of additional employee separation costs during the remainder of 2010.

Contractual obligation costs, asset impairments and other costs are included in costs of goods sold. In January 2010, a final payment was made related to the early lease termination of a vacated facility and relief from our existing $1.1 million asset retirement obligation related to the leased property, which was reflected as a non-cash accrual amount in 2009 and a cash payment in 2010. Asset impairment expense related to non-transferable machinery and equipment.

All amounts accrued at September 30, 2010 are classified in current liabilities.

Early Retirement Program

In October 2010, our Korean subsidiary offered a voluntary early retirement program for eligible employees. Employees that elected to participate in the voluntary early retirement program are entitled to two types of benefits, one related to their severance liability and the other for special benefits. We expect to record approximately $2 million in expense for special benefits in October 2010 for the program.

Other Reductions in Force in 2009

During the first three months of 2009, we reduced our headcount through reductions-in-force programs by 1,750 employees in certain other foreign locations. We recorded a charge for one-time and contractual termination benefits of $6.3 million, net of a pension curtailment gain of $1.1 million, of which $5.8 million and $0.5 million were charged to cost of sales and selling, general and administrative expenses, respectively. All amounts were paid prior to March 31, 2009.

During 2007, we commenced a phased transition of all wafer level processing production from our wafer bumping facility in North Carolina to our facility in Taiwan. All wafer level processing production ceased at our North Carolina facility in the three months ended June 30, 2009, and the North Carolina facility is now exclusively used for research and development activities. We recorded charges for termination benefits during the nine months ended September 30, 2009 of $1.1 million, of which $0.9 million and $0.2 million were recorded in cost of sales and selling, general and administrative expenses, respectively. All amounts were paid prior to December 31, 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) expected customer demand, (2) the amount and timing of our expected capital investments and focus on customer requirements, investments in technology advancements and cost reduction programs, (3) our ability to fund our operating activities for the next twelve months, (4) the effect of capacity utilization rates and product mix on our gross margin, (5) the release of valuation allowances related to taxes in the future, (6) the expected use of future cash flows, if any, for the expansion of our business, capital expenditures and the repayment of debt, (7) expected workforce reductions and related severance charges in connection with our plan to exit manufacturing operations in Singapore, (8) our repurchase of outstanding debt in the future, (9) payment of dividends, (10) compliance with our covenants, (11) expected contributions to defined benefit pension plans, (12) liability for unrecognized tax benefits, (13) the effect of foreign currency exchange rate exposure on our financial results, (14) the volatility of the trading price of our common stock, (15) changes to our internal controls related to implementation of a new enterprise resource planning system, and (16) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "intend" or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in Part II, Item 1A "Risk Factors" of this Quarterly Report. The following discussion provides information and analysis of our results of operations for the three and nine months ended September 30, 2010 and our liquidity and capital resources. You should read the following discussion in conjunction with Item 1, "Financial Statements" in this Quarterly Report as well as other reports we file with the Securities and Exchange Commission ("SEC").

Overview

Amkor is one of the world's leading subcontractors of semiconductor packaging and test services. Packaging and test are integral steps in the process of manufacturing semiconductor devices. The manufacturing process begins with silicon wafers and involves the fabrication of electronic circuitry into complex patterns, thus creating large numbers of individual chips on the wafers. The fabricated wafers are then probe tested to ensure the individual devices meet electrical specifications. The packaging process creates an electrical interconnect between the semiconductor chip and the system board. In packaging, fabricated semiconductor wafers are separated into individual chips. These chips are typically attached through wire bond or wafer bump technologies to a substrate or leadframe and then encased in a protective material. In the case of an advanced wafer level package, the package is assembled on the surface of a wafer.

Our packages are designed for application specific body size and electrical connection requirements to provide optimal electrical connectivity and thermal performance. The packaged chips are then tested using sophisticated equipment to ensure that each packaged chip meets its design and performance specifications. Increasingly, packages are custom designed for specific chips and specific end-market applications. We are able to provide turnkey assembly and test solutions including semiconductor wafer bump, wafer probe, wafer backgrind, package design, assembly, test and drop shipment services.

Our customers include, among others: Altera Corporation; Atmel Corporation; Broadcom Corporation; Infineon Technologies AG; International Business Machines Corporation; LSI Corporation; Qualcomm Incorporated; ST Microelectronics, Pte.; Texas Instruments, Inc. and Toshiba Corporation. The outsourced semiconductor packaging and test market is very competitive. We also compete with the internal semiconductor packaging and test capabilities of many of our customers.

Since the second half of 2009, the semiconductor industry has experienced increased consumer spending principally driven by the recovery from the global economic downturn. There has been a broad-based increase in demand across a wide range of applications in support of all of our end markets, with notable strength in the consumer and communications areas. Our unit demand increased by 0.6 billion units, to 2.9 billion units during the three months ended September 30, 2010 compared to 2.3 billion units during the three months ended September 30, 2009. For the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009, our unit demand increased by 2.9 billion units to 8.1 billion units compared to 5.2 billion units.

Our net sales of $794.0 million for the three months ended September 30, 2010 increased $177.8 million or 28.9% compared to net sales of $616.2 million for the three months ended September 30, 2009. The growth was driven by increased consumer spending for products such as mobile phones, portable media, consumer electronics, computers and networking equipment, which require our semiconductor packaging (sometimes referred to as assembly) and test services.

Gross margin of 23.7% for the three months ended September 30, 2010 decreased from 25.1% for the three months ended September 30, 2009. This reduction was driven by several factors, including increased sales of packaging with higher material content and increased cost of gold used in many of our wirebond packages. In addition, our gross margin was impacted by increased labor and other manufacturing costs, the restoration of some of the compensation costs and other temporary cost initiatives implemented in 2009, and the negative impact of foreign currency exchange rate movements.

Our net income for the three months ended September 30, 2010 was $78.0 million or $0.30 per diluted share, compared with net income of $80.9 million, or $0.31 per diluted share, for the three months ended September 30, 2009. The net income for the three months ended September 30, 2009 includes an income tax benefit of $28.1 million, from the release of a tax valuation allowance at our subsidiary in Korea. Net income for the three months ended September 30, 2010, reflected higher levels of demand and resulting gross profit during the 2010 period as compared to 2009.

Our capital additions totaled $171.5 million for the three months ended September 30, 2010 compared to $77.3 million for the three months ended September 30, 2009. Capital additions were focused primarily on incremental capacity for advanced packaging services, including chip scale, ball grid array and bumping, technology advancements, facilities expansion and cost reduction programs. We currently expect that our full year 2010 capital additions will be approximately $480 million.

Cash provided by operating activities was $367.0 million for the nine months ended September 30, 2010, as compared to cash provided by operating activities of $156.8 million for the nine months ended September 30, 2009. We experienced positive free cash flow of $90.3 million for the nine months ended September 30, 2010, which increased $45.4 million from the prior year comparable period. The increase was primarily attributable to higher levels of demand and gross profit in the 2010 period and payments of $104.9 million in the 2009 period for the resolution of a patent license dispute and employee benefit and separation payments, partially offset by higher purchases of property, plant and equipment in 2010. We define free cash flow as net cash provided by operating activities less investing activities related to the acquisition of property, plant and equipment. Free cash flow is not defined by U.S. generally accepted accounting principles ("U.S. GAAP") and a reconciliation of free cash flow to net cash provided by operating activities is set forth under the caption "Cash Flows" below. Please see "Liquidity and Capital Resources" and "Cash Flows" below for a further analysis of the change in our balance sheet and cash flows during the first nine months of 2010.

We believe our financial position and liquidity are sufficient to fund our operating activities for at least the next twelve months. At September 30, 2010, our cash and cash equivalents totaled approximately $417.5 million, with an aggregate of $19.6 million of debt maturities due through the end of 2010. In May 2010, we issued $345.0 million of our 7.375% Senior Notes due 2018. We used the proceeds of that note issuance, together with existing cash, to redeem in full the $53.5 million outstanding principal amount of our 7.125% Senior Notes due 2011 and the $358.3 million principal amount of our 7.75% Senior Notes due 2013, and to pay related fees and expenses during the three months ended June 30, 2010. In May 2010, we entered into a $180.0 million, 3-year secured term loan in Korea, the proceeds of which were used to purchase $125.7 million of our 9.25% Senior Notes due 2016. In July 2010, we repaid $47.0 million of the Korean term loan. In September 2010, we amended our $100.0 million senior secured revolving credit facility and extended its term by two years to April 2015.

Results of Operations

The following table sets forth certain operating data as a percentage of net sales for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	23.7%	25.1%	23.0%	20.2%
Depreciation and amortization	10.4%	12.1%	10.8%	15.3%
Operating income	14.8%	14.2%	13.1%	7.6%
Income before income taxes	11.2%	8.1%	8.7%	2.8%
Net income attributable to Amkor	9.8%	13.1%	8.3%	4.5%

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Net Sales. Net sales increased $177.8 million, or 28.9%, to $794.0 million in the three months ended September 30, 2010, from $616.2 million in the three months ended September 30, 2009. Sales increased across substantially all product lines for the three months ended September 30, 2010 compared to the three months ended September 30, 2009, and this growth was primarily driven by the recovery of the semiconductor industry and improved consumer spending across all of our end markets, resulting in a broad-based increase in demand for our packaging and test services.

Packaging Net Sales. Packaging net sales increased $163.1 million, or 29.7%, to $712.4 million in the three months ended September 30, 2010, from $549.3 million in the three months ended September 30, 2009, driven by broad-based product demand across substantially all of our package offerings. Packaging unit volume increased 0.6 billion units for the three months ended September 30, 2010, to 2.9 billion units, compared to 2.3 billion units in the three months ended September 30, 2009, primarily due to the demand for our leadframe packaging services and the recovery of the semiconductor industry and improved consumer spending following the global economic downturn. Growth in ball grid array and chip scale packaging solutions with higher average sales prices per unit also contributed to the overall growth in net sales from the three months ended September 30, 2009.

Test Net Sales. Test net sales increased $14.7 million, or 22.0%, to $81.5 million in the three months ended September 30, 2010 from $66.8 million in the three months ended September 30, 2009 primarily due to the recovery of the semiconductor industry and improved consumer spending following the global economic downturn.

Cost of Sales. Our cost of sales consists principally of materials, labor, depreciation and manufacturing overhead. Since a substantial portion of the costs at our factories is fixed, relatively modest increases or decreases in our capacity utilization rates and product mix can have a significant effect on our gross margin.

Material costs as a percentage of net sales increased to 43.3% for the three months ended September 30, 2010, from 39.3% in the three months ended September 30, 2009, primarily due to a higher mix of ball grid array packages with higher material content as a percentage of net sales and the increased cost of gold.

As a percentage of net sales, labor costs decreased to 12.2% in the three months ended September 30, 2010 from 13.0% in the three months ended September 30, 2009. The decrease in labor costs as a percentage of net sales was due primarily to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. The increase in labor costs in absolute dollars is partially due to the restoration in 2010 of some of the compensation cost reductions from 2009, and the expiration of other temporary cost reduction initiatives, such as foreign subsidy programs, which were available and utilized in 2009. In addition, our global labor headcount was restored to approximately 20,000 employees at September 30, 2010, compared to 18,000 employees at September 30, 2009. Labor costs were also negatively impacted by foreign currency exchange rate movements in the three months ended September 30, 2010 compared to the three months ended September 30, 2009. In addition, labor costs in the three months ended September 30, 2010 included a charge of $0.4 million related to workforce reduction programs associated with the wind-down and exit of manufacturing operations in Singapore compared to a $1.0 million charge in the three months ended September 30, 2009.

As a percentage of net sales, other manufacturing costs decreased to 20.8% in the three months ended September 30, 2010 from 22.6% in the three months ended September 30, 2009 due to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. The increase in other manufacturing costs in absolute dollars was related to increased repairs and maintenance costs primarily due to higher levels of production in our factories.

Gross Profit. Gross profit increased $33.7 million to $188.3 million, or 23.7% of net sales, in the three months ended September 30, 2010, from $154.6 million, or 25.1% of net sales, in the three months ended September 30, 2009. The increase in gross profit was primarily due to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. Gross margin in the three months ended September 30, 2010, was negatively impacted by several factors, including increased sales packaging services with higher material content and increased cost of gold used in many of our wirebond packages. We experienced increased labor and other manufacturing costs to meet our customer demands. Other factors that affected our gross margin were the restoration of some of the compensation costs and other temporary cost reduction initiatives implemented in 2009, foreign currency exchange rate movements and increased depreciation expense resulting from our increased investment and capital spending activities. Included in our cost of sales in the three months ended September 30, 2010 and 2009, are charges related to workforce reduction programs of $0.4 million and $2.0 million, respectively.

Packaging Gross Profit. Gross profit for packaging increased $21.8 million to $158.4 million, or 22.2% of packaging net sales, in the three months ended September 30, 2010 from $136.6 million, or 24.9% of packaging net sales, in the three months ended September 30, 2009. The increase in gross profit in absolute dollars is primarily attributable to increased customer demand. The decrease in gross profit as a percentage of net sales is primarily due to a higher mix of ball grid array packages with higher material content as a percentage of net sales and the increased cost of gold.

Test Gross Profit. Gross profit for test increased $10.8 million to $29.7 million, or 36.4% of test net sales, in the three months ended September 30, 2010, from $18.9 million, or 28.3% of test net sales, in the three months ended September 30, 2009, due to increased customer demand. Gross margin in the 2010 period benefitted from higher utilization of test assets. Our costs for test are primarily fixed, with low material requirements. As utilization rates increase, we benefit from a higher degree of operating leverage.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $4.1 million, or 7.7%, to $57.7 million in the three months ended September 30, 2010, from $53.6 million in the three months ended September 30, 2009. The increase was primarily driven by the reinstatement of employee compensation and benefit costs that had been reduced in 2009 as part of our cost reduction initiatives through the global economic downturn, as well as an increase in depreciation expense associated with the implementation of our global enterprise resource planning information system.

Research and Development. Research and development activities are currently focused on developing new package solutions and test services and improving the efficiency and capabilities of our existing production processes. Our key areas for research and development initiatives are focused on advanced flip chip packaging, 3D packaging, fine pitch copper pillar bumping, laminate and leadframe packaging, Through Mold Via and Through Silicon Via technologies, wafer level packaging services and other manufacturing cost reduction initiatives. Research and development expenses decreased $0.7 million to $12.7 million, or 1.6% of net sales in the three months ended September 30, 2010 from $13.4 million, or 2.2% of net sales in the three months ended September 30, 2009. The decrease in our research and development expenses was primarily due to a $2.6 million impairment charge related to the exit of our North Carolina facility in the three months ended September 30, 2009.

Gain on Sale of Real Estate. In the three months ended September 30, 2009, we sold land and dormitory buildings in Korea for $0.6 million in cash and reported a gain of $0.1 million, with no net tax effect.

Other (Income) Expense, Net. Other expense, net, decreased $8.4 million to $29.2 million, or 3.7% of net sales, in the three months ended September 30, 2010, from $37.6 million, or 6.1% of net sales in the three months ended September 30, 2009. This decrease is primarily due to a $5.3 million reduction in interest expense resulting from our recent financing activities. During the three months ended September 30, 2010, we recorded $2.2 million in earnings from an unconsolidated affiliate which was acquired in October 2009. Accordingly, there were no such earnings recorded in the three months ended September 30, 2009.

Income Tax Expense (Benefit). In the three months ended September 30, 2010, we recorded an income tax expense of $10.3 million compared to an income tax benefit of $30.9 million in the three months ended September 30, 2009. The change in income tax expense was primarily attributable to an increase in profits in certain taxable foreign jurisdictions in 2010 and a $28.1 million tax benefit for the release of a valuation allowance on the net deferred tax assets of our Korean subsidiary in 2009. Our income tax expense for the three months ended September 30, 2010 is primarily attributable to profits in certain foreign jurisdictions, foreign withholding taxes, and minimum taxes.

At September 30, 2010, we had U.S. net operating loss carryforwards totaling $384.3 million, which expire at various times through 2030. Additionally, at September 30, 2010, we had $46.2 million of non-U.S. net operating loss carryforwards, which expire at various times through 2020. 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 release such valuation allowances as the related tax benefits are realized on our tax returns or when sufficient positive evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Net Sales. Net sales increased $677.4 million, or 44.8%, to $2,188.9 million in the nine months ended September 30, 2010, from $1,511.5 million in the nine months ended September 30, 2009. Sales increased across all product lines for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009 primarily due to the recovery of the semiconductor industry and improved consumer spending following the global economic downturn.

Packaging Net Sales. Packaging net sales increased $634.4 million, or 47.5%, to $1,970.9 million in the nine months ended September 30, 2010, from $1,336.5 million in the nine months ended September 30, 2009, driven by broad-based product demand across substantially all of our package offerings. Packaging unit volume increased in the nine months ended September 30, 2010 to 8.1 billion units, compared to 5.2 billion units in the nine months ended September 30, 2009 primarily due to strong demand for all our packaging services, primarily from our leadframe and chip scale packaging services and the recovery of the semiconductor industry and improved consumer spending following the global economic downturn.

Test Net Sales. Test net sales increased $42.8 million, or 24.5%, to $217.7 million in the nine months ended September 30, 2010, from $174.9 million in the nine months ended September 30, 2009 primarily due to the recovery of the semiconductor industry and improved consumer spending following the global economic downturn.

Cost of Sales. Our cost of sales consists principally of materials, labor, depreciation and manufacturing overhead. Since a substantial portion of the costs at our factories is fixed, relatively modest increases or decreases in our capacity utilization rates and product mix can have a significant effect on our gross margin.

Material costs as a percentage of net sales increased to 42.6% for the nine months ended September 30, 2010, from 39.6% in the nine months ended September 30, 2009, due primarily to a higher mix of ball grid array packages with higher material content as a percentage of net sales and the increased cost of gold.

As a percentage of net sales, labor costs decreased to 12.6% in the nine months ended September 30, 2010 from 13.9% in the nine months ended September 30, 2009. The increase in labor costs in absolute dollars is partially due to the restoration in 2010 of some of the compensation cost reductions from 2009, the expiration of other temporary cost reduction initiatives, such as foreign subsidy programs, which were available and utilized in 2009. Our global labor headcount was restored to approximately 20,000 employees at September 30, 2010, compared to 18,000 employees at September 30, 2009. Labor costs were also negatively impacted by foreign currency exchange rate movements in the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. Labor costs in the nine months ended September 30, 2010 included a charge of $2.5 million related to workforce reduction programs associated with the wind-down and exit of manufacturing operations in Singapore compared to a $8.9 million charge in the nine months ended September 30, 2009 for workforce reduction programs. The decrease in labor costs as a percentage of net sales was due primarily to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales.

As a percentage of net sales, other manufacturing costs decreased to 21.7% in the nine months ended September 30, 2010, from 26.2% in the nine months ended September 30, 2009, due to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. The increase in other manufacturing costs in absolute dollars was related to increased repairs and maintenance costs primarily due to higher levels of production in our factories.

Gross Profit. Gross profit increased $199.4 million to $504.4 million, or 23.0% of net sales, in the nine months ended September 30, 2010, from $305.0 million, or 20.2% of net sales, in the nine months ended September 30, 2009. The increase in gross margin was primarily due to higher levels of utilization and efficiencies driven by increased customer demand for all of our packing services and the corresponding increase in net sales. Included in our cost of sales in the nine months ended September 30, 2009, is a net charge of $15.4 million related to workforce reduction programs and the exit of manufacturing operations in Singapore. Gross margin in 2010 was negatively impacted by several factors, including a higher mix of ball grid array packaging services with higher material content and the increased cost of gold used in many of our wirebond packages. We experienced increased labor and other manufacturing costs to meet our customer demands. Other factors that affected our gross margin were the restoration of some of the compensation costs and other temporary cost reduction initiatives implemented in 2009, the negative impact of foreign currency exchange rate movements and increased depreciation expense resulting from increased investment and capital spending activities.

Packaging Gross Profit. Gross profit for packaging increased $165.7 million to $440.4 million, or 22.3% of packaging net sales, in the nine months ended September 30, 2010 from $274.7 million, or 20.6% of packaging net sales, in the nine months ended September 30, 2009. The increase in gross profit was primarily attributable to increased customer demand.

Test Gross Profit. Gross profit for test increased $27.5 million to $64.2 million, or 29.5% of test net sales, in the nine months ended September 30, 2010, from $36.7 million, or 21.0% of test net sales, in the nine months ended September 30, 2009, due to increased customer demand and higher utilization of our test assets. Costs for test are primarily fixed, with low material requirements. As utilization rates increase, we benefit from a higher degree of operating leverage.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $24.3 million, or 15.5%, to $180.4 million in the nine months ended September 30, 2010, from $156.1 million in the nine months ended September 30, 2009. The increase was primarily driven by the reinstatement of employee compensation and benefit costs that had been reduced in 2009 as part of our cost reduction initiatives through the global economic downturn, as well as an increase in depreciation expense associated with the implementation of our global enterprise resource planning information system.

Research and Development. Research and development activities are currently focused on developing new package solutions and test services and improving the efficiency and capabilities of our existing production processes. Our key areas for research and development initiatives are focused on advanced flip chip packaging, 3D packaging, fine pitch copper pillar bumping, laminate and leadframe packaging, Through Mold Via and Through Silicon Via technologies, wafer level packaging services and other manufacturing cost reduction initiatives. Research and development expenses increased $2.9 million to $36.4 million, or 1.7% of net sales in the nine months ended September 30, 2010, from $33.5 million, or 2.2% of net sales in the nine months ended September 30, 2009. Increased research and development expenses were due to increased activity and reinstatement of employee compensation and benefit costs.

Gain on Sale of Real Estate In the nine months ended September 30, 2009, we sold land and dormitory buildings in Korea for $0.6 million in cash and reported a gain of $0.1 million, with no net tax effect.

Other (Income) Expense, Net. Other expense, net increased $24.2 million to $97.2 million, or 4.4% of net sales, in the nine months ended September 30, 2010 from $73.0 million, or 4.8% of net sales in the nine months ended September 30, 2009. This increase was driven by an increase in debt retirement costs. During the nine months ended September 30, 2010, we recorded $18.0 million of debt retirement costs related to the debt transactions described in the Overview. During the nine months ended September 30, 2009, we recorded a net gain of $15.7 million related to the repurchase of an aggregate $251.7 million principal amount of our 7.125% Senior

Notes, 2.5% Convertible Senior Subordinated Notes due 2011 and 7.75% Senior Notes due in 2013. Also during the nine months ended September 30, 2010, we recorded a $9.0 million foreign currency loss compared to a $2.2 million foreign currency loss in the nine months ended September 30, 2009. Partially offsetting the increase is a reduction in interest expense of $10.3 million during the nine months ended September 30, 2010 compared with the prior year comparable period resulting from our recent financing activities. In addition, during the nine months ended September 30, 2010, we recorded $4.9 million in earnings from an unconsolidated affiliate, which was acquired in October 2009. Accordingly, there were no such earnings recorded in the nine months ended September 30, 2009.

Income Tax Expense (Benefit). In the nine months ended September 30, 2010, we recorded an income tax expense of $9.0 million compared to an income tax benefit of $25.9 million in the nine months ended September 30, 2009. The change in income tax expense was primarily attributable to an increase in profits in certain taxable foreign jurisdictions in 2010 and a $28.1 million tax benefit for the release of a valuation allowance on the net deferred tax assets of our Korean subsidiary in 2009. Income tax expense in the nine months ended September 30, 2010 was reduced by the utilization of net operating loss and credit carryforwards of a Taiwan subsidiary and a $3.2 million release of a valuation allowance at that subsidiary.

Liquidity and Capital Resources

We assess our liquidity based on our current expectations regarding sales, operating expenses, capital spending and debt service requirements. Based on this assessment, we believe that our cash flow from operating activities together with existing cash and cash equivalents and availability under our revolving credit facility will be sufficient to fund our working capital, capital expenditure and debt service requirements for at least the next twelve months. Thereafter, our liquidity will continue to be affected by, among other things, volatility in the global economy and credit markets, the performance of our business, our capital expenditure levels and our ability to either repay debt out of operating cash flow or refinance debt at or prior to maturity with the proceeds of debt or equity offerings. There is no assurance that we will generate the necessary net income or operating cash flows to meet the funding needs of our business beyond the next twelve months due to a variety of factors, including the cyclical nature of the semiconductor industry and the other factors discussed in Part II, Item 1A "Risk Factors."

Our primary source of cash and the source of funds for our operations are cash flows from our operations, current cash and cash equivalents, borrowings under available debt facilities, or proceeds from any additional debt or equity financings. As of September 30, 2010, we had cash and cash equivalents of $417.5 million and availability of $99.5 million under our $100.0 million senior secured revolving credit facility. We expect cash flows to be used in the operation and expansion of our business, making capital expenditures, paying principal and interest on our debt and for other corporate purposes.

During 2009, we implemented cost reduction measures including lowering executive and other employee compensation, reducing employee and contractor headcount, and shortening work weeks. As capacity utilization increased during 2010, labor and other overhead costs increased. During 2010, executive and other employee compensation has been restored from reduced levels in 2009 and we have reversed other temporary cost reduction initiatives.

We sponsor an accrued severance plan for our Korean subsidiary which under existing tax laws in Korea, limits our ability to currently deduct related severance expenses accrued under that plan. The purpose of these limitations is to encourage companies to migrate to a defined contribution or defined benefit plan; however, if we retain our existing severance plan, we will be required to pay increased taxes. If we decide to adopt a new plan, we would be required to significantly fund the existing liability. Our Korean severance liability was $84.3 million as of September 30, 2010.

From time to time, we evaluate our staffing levels compared to business needs and changes in demand in order to manage costs and improve performance. The wind-down and exit of our manufacturing operations in Singapore will require approximately $3.4 million in additional payments during the remainder of 2010. In connection with the wind-down of our Singapore manufacturing operations, we refunded approximately $12.1 million of customer advances using cash on hand during the nine months ended September 30, 2010.

We have a significant level of debt, with $1,380.0 million outstanding at September 30, 2010, $144.9 million of which is current. At September 30, 2010, we have an aggregate of $19.6 million of debt coming due through the end of 2010, and $148.6 million of debt due in 2011.

As discussed above in the Overview, we completed various debt transactions during the nine months ended September 30, 2010, which extended the maturities of our nearest term senior notes by five years, refinanced some of our highest cost debt at a lower interest rate and extended the maturity date of our revolving credit facility.

The interest payments required on our debt are substantial. For example, we paid $116.2 million of interest in 2009. We refer you to "Contractual Obligations" below for a summary of principal and interest payments.

In order to reduce leverage and future cash interest payments, we may from time to time repurchase or call our outstanding notes for cash or exchange shares of our common stock for our outstanding notes. Any such transaction may be made in the open market, through privately negotiated transactions or pursuant to the terms of the indentures, and these transactions, are subject to the terms of our indentures and other debt agreements, market conditions, and other factors. Our 6.25% Convertible Subordinated Notes due 2013 will become callable in December 2010 and our 9.25% Senior Notes due 2016 will become callable in June 2011.

Certain debt agreements have restrictions on dividend payments and the repurchase of stock and subordinated securities, including our convertible notes. These restrictions are determined by defined calculations which include net income. We have never paid a dividend to our stockholders, and we do not have any current plans to do so.

We were in compliance with all debt covenants at September 30, 2010 and expect to remain in compliance with these covenants for at least the next twelve months.

Capital Additions

Our capital additions for the nine months ended September 30, 2010 were $402.4 million. We currently expect that our full year 2010 capital additions will be approximately $480 million. Ultimately, the amount of our 2010 capital additions will depend on several factors including, among others, the performance of our business, the need for additional capacity to service customer demand and the availability of suitable cash flow from operations or financing. The following table reconciles our activity related to property, plant and equipment additions that are reflected on the Consolidated Balance Sheets to property, plant and equipment purchases as presented on the Condensed Consolidated Statements of Cash Flows:

	For the Nine Months Ended September 30,	
	2010	2009
	(In thousands)	
Property, plant and equipment additions	$ 402,354	$ 128,982
Net change in related accounts payable and deposits	(125,682)	(17,053)
Purchases of property, plant, and equipment	$ 276,672	$ 111,929

Cash Flows

Cash provided by operating activities was $367.0 million for the nine months ended September 30, 2010, as compared to cash provided by operating activities of $156.8 million for the nine months ended September 30, 2009. We experienced positive free cash flow of $90.3 million for the nine months ended September 30, 2010, which increased $45.4 million from the prior year comparable period. The increase was primarily attributable to higher levels of demand and gross profit in the 2010 period and payments of $104.9 million in the 2009 period for the resolution of a patent license dispute and employee benefit and separation payments, partially offset by higher purchases of property, plant and equipment in 2010.

Net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2010 and 2009 were as follows:

	For the Nine Months Ended September 30,	
	2010	2009
	(In thousands)	
Operating activities	$ 366,962	$ 156,810
Investing activities	(274,967)	(118,932)
Financing activities	(70,634)	(15,345)

Operating activities: Our cash flow from operating activities for the nine months ended September 30, 2010 increased by $210.2 million compared to the prior year comparable period. Operating income for the nine months ended September 30, 2010 adjusted for depreciation and amortization, other operating activities and non-cash items increased $189.8 million which was largely attributable to increased net sales and the related increase in net income.

Changes in assets and liabilities decreased operating cash flow for the nine months ended September 30, 2010 principally due to increases in inventories and accounts receivable attributable to increased business volumes. The $114.7 million decrease from changes in assets and liabilities in the nine months ended September 30, 2009 was principally due to the $64.7 million payment made in connection with the resolution of a patent license dispute and $40.2 million in other employee benefit and separation payments.

Investing activities: Our cash flows used in investing activities for the nine months ended September 30, 2010 increased by $156.0 million. This increase was primarily due to increased levels of capital additions in 2010 resulting in a $164.7 million increase in payments for property, plant and equipment. Our capital additions were primarily focused on incremental capacity for advanced packaging services including chip scale, ball grid array and bumping, specific customer requirements and other technology advancements.

Financing activities: Our net cash used in financing activities for the nine months ended September 30, 2010 was $70.6 million, compared with $15.3 million for the nine months ended September 30, 2009. The net cash used in financing activities for the nine months ended September 30, 2010 consisted of $678.0 million in payments for revolving credit and long term debt, net of redemption premiums and discounts, offset by $614.3 million in proceeds from long term debt issuance and revolving credit borrowings. We also incurred $7.7 million in debt issuance costs in the nine months ended September 30, 2010 primarily associated with the issuance of the 2018 Notes.

Our net cash used in financing activities for the nine months ended September 30, 2009 was $15.3 million, which was primarily due to the issuance of our 6.0% Convertible Senior Subordinated Notes due 2014 and our working capital facility in China. We used the net proceeds from the issuance of the 6.0% Convertible Senior Subordinated Notes due 2014 to repurchase a portion of our 7.125% Senior Notes due 2011 and a portion of our 2.5% Convertible Senior Subordinated Notes due 2011. For the nine months ended September 30, 2009, we also incurred $8.5 million in debt issuance costs related to the April 2009 issuance of our 6.0% Convertible Senior Subordinated Notes due 2014 and the amendment and extension of our $100.0 million senior secured revolving credit facility to April 2013.

We provide the following supplemental data to assist our investors and analysts in understanding our liquidity and capital resources. We define free cash flow as net cash provided by operating activities less investing activities related to the acquisition of property, plant and equipment. Free cash flow is not defined by U.S. GAAP and our definition of free cash flow may not be comparable to similar companies and should not be considered a substitute for cash flow measures in accordance with U.S. GAAP. We believe free cash flow provides our investors and analysts useful information to analyze our liquidity and capital resources.

	For the Nine Months Ended September 30, 2010	2009
	(In thousands)	
Net cash provided by operating activities	$ 366,962	$ 156,810
Purchases of property, plant and equipment	(276,672)	(111,929)
Free cash flow	$ 90,290	$ 44,881

Contractual Obligations

The following table summarizes our contractual obligations at September 30, 2010, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

		Payments due for year ending December 31,					
	Total	2010 - Remaining	2011	2012	2013	2014	Thereafter
				(In thousands)			
Total debt	$ 1,380,022	$ 19,622	$148,552	$ 81,408	$235,405	$280,977	$ 614,058
Scheduled interest payment obligations(1)	465,424	40,142	84,968	81,024	75,531	58,007	125,752
Purchase obligations(2)	89,320	88,725	595	—	—	—	—
Operating lease obligations	37,047	1,881	6,418	6,196	6,325	6,398	9,829
Severance obligations(3)	84,281	1,421	5,562	5,193	4,851	4,523	62,731
Total contractual obligations	$2,056,094	$151,791	$246,095	$173,821	$322,112	$349,905	$ 812,370

(1) Scheduled interest payment obligations were calculated using stated coupon rates for fixed rate debt and interest rates applicable at September 30, 2010 for variable rate debt.

(2) Represents capital-related purchase obligations outstanding at September 30, 2010 for capital additions.

(3) Represents estimated benefit payments for our Korean subsidiary severance plan.

In addition to the obligations identified in the table above, non-current liabilities recorded in our Consolidated Balance Sheet at September 30, 2010 include:

- $19.2 million of foreign pension plan obligations in excess of plan assets for which the timing and actual amount of funding required is uncertain. We expect to contribute $0.1 million to the defined benefit pension plans during the remainder of 2010.
- $3.5 million net liability associated with unrecognized tax benefits. Due to the uncertainty regarding the amount and the timing of any future cash outflows associated with our unrecognized tax benefits, we are unable to reasonably estimate the amount and period of ultimate settlement, if any, with the various taxing authorities.

Off-Balance Sheet Arrangements

As of September 30, 2010, we had no off-balance sheet guarantees or other off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, other than our operating leases.

Contingencies, Indemnifications and Guarantees

We refer you to Note 15 “Commitments and Contingencies” to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report for a discussion of our contingencies related to litigation and other legal matters. If an unfavorable ruling were to occur in these matters, there exists the possibility of a material adverse impact on our business, liquidity, results of operations, financial position and cash flows in the period in which the ruling occurs. The potential impact from legal proceedings on our business, liquidity, results of operations, financial position and cash flows, could change in the future.

Critical Accounting Policies

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009. During the three months ended September 30, 2010, there have been no significant changes in our critical accounting policies as reported in our 2009 Annual Report on Form 10-K.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 to the Consolidated Financial Statements included within Part I, Item 1 of this Quarterly Report.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market Risk Sensitivity

We are exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, we employ established policies and procedures to manage the exposure to fluctuations in foreign currency values and changes in interest rates. Our use of derivative instruments, including forward exchange contracts, has been historically insignificant; however, we continue to evaluate the use of hedge instruments to manage currency and other risk. We have not entered into any derivative transactions in the nine months ended September 30, 2010 and have no outstanding contracts as of September 30, 2010.

Foreign Currency Risks

We currently do not have forward contracts or other instruments to reduce our exposure to foreign currency gains and losses. We have generally managed our foreign currency exposures by using natural hedging techniques to reduce the foreign currency rate risk.

The U.S. dollar is our reporting currency and the functional currency for the majority of our foreign subsidiaries including our largest subsidiaries in Korea and the Philippines and also our subsidiaries in Taiwan, China and Singapore. For our subsidiaries and affiliate in Japan, the local currency is the functional currency.

We have foreign currency exchange rate risk associated with the remeasurement of monetary assets and monetary liabilities on our Consolidated Balance Sheet that are denominated in currencies other than the functional currency. We performed a sensitivity analysis of our foreign currency exposure as of September 30, 2010, to assess the potential impact of fluctuations in exchange rates for all foreign denominated assets and liabilities. Assuming a 10% adverse movement for all currencies against the U.S. dollar as of September 30, 2010, our income before income taxes would have been approximately $27.1 million lower for the nine months ended September 30, 2010.

In addition, we have foreign currency exchange rate exposure on our results of operations. For the nine months ended September 30, 2010, approximately 88% of our net sales were denominated in U.S. dollars. Our remaining net sales were principally denominated in Japanese yen and Korean won for local country sales. For the nine months ended September 30, 2010, approximately 58% of our cost of sales and operating expenses were denominated in U.S. dollars and were largely for raw materials and factory supplies. The remaining portion of our cost of sales and operating expenses was principally denominated in the Asian currency where our production facilities are located and was largely for labor and utilities. To the extent that the U.S. dollar weakens against these Asian-based currencies, similar foreign currency denominated transactions in the future will result in higher sales and higher operating expenses, with increased operating expenses having the greater impact on our financial results. Similarly, our sales and operating expenses will decrease if the U.S. dollar strengthens against these foreign currencies. We performed a sensitivity analysis of our foreign currency exposure as of September 30, 2010 to assess the potential impact of fluctuations in exchange rates for all foreign denominated sales and expenses. Assuming a 10% adverse movement of the U.S. dollar compared to all of these Asian-based currencies as of September 30, 2010, our operating income would have been approximately $54.6 million lower for the nine months ended September 30, 2010.

There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that foreign exchange rate movements across multiple jurisdictions are similar and would be linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market or other changes that could arise which may positively or negatively affect our results of operations.

We have foreign currency exchange rate exposure on our stockholders' equity as a result of the translation of our subsidiaries and an affiliate where the local currency is the functional currency. To the extent the U.S. dollar strengthens against the local currency, the translation of these foreign currency denominated transactions will result in reduced sales, operating expenses, assets and liabilities. Similarly, our sales, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against the local currencies. The effect of foreign exchange rate translation on our Consolidated Balance Sheet for the nine months ended September 30, 2010 and 2009 was a net foreign translation gain of $6.2 million and $0.8 million, respectively, and was recognized as an adjustment to equity through other comprehensive income (loss).

Interest Rate Risks

We have interest rate risk with respect to our long-term debt. As of September 30, 2010, we had a total of $1,380.0 million of debt of which 72.6% was fixed rate debt and 27.4% was variable rate debt. Our variable rate debt principally relates to our foreign borrowings and any amounts outstanding under our $100.0 million revolving line of credit, of which no amounts were drawn as of September 30, 2010. The fixed rate debt consists of senior notes, senior subordinated notes and subordinated notes. As of December 31, 2009, we had a total of $1,434.2 million of debt of which 83.3% was fixed rate debt and 16.7% was variable rate debt.

The table below presents the interest rates and maturities of our fixed and variable rate debt as of September 30, 2010:

	2010 - Remaining	2011	2012	2013	2014	Thereafter	Total	Fair Value
Long term debt:								
Fixed rate debt (In thousands)	$ —	$ 42,579	$ —	$ 100,000	$250,000	$609,283	$1,001,862	$1,373,679
Average interest rate	—	2.5%	—	6.3%	6.0%	8.2%	7.2%	—
Variable rate debt (In thousands)	$ 19,622	$105,973	$81,408	$135,405	$ 30,977	$ 4,775	$ 378,160	$ 380,519
Average interest rate	4.0%	3.6%	4.0%	4.9%	3.6%	2.3%	4.2%	—

For information regarding the fair value of our long-term debt, see Note 14 to the Consolidated Financial Statements included in this Quarterly Report.

Equity Price Risks

We have convertible notes that are convertible into our common stock. If investors were to decide to convert their notes to common stock, our future earnings would benefit from a reduction in interest expense and our common stock outstanding would increase. If we paid a premium to induce such conversion, our earnings could include an additional charge.

Further, the trading price of our common stock has been and is likely to continue to be highly volatile and could be subject to wide fluctuations. Such fluctuations could impact our decision or ability to utilize the equity markets as a potential source of our funding needs in the future.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, based on the definition of "disclosure controls and procedures" in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. In designing and evaluating the disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply their judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010 and concluded those disclosure controls and procedures were effective as of that date.

Changes in Internal Control Over Financial Reporting

As previously reported, we are implementing a new enterprise resource planning ("ERP") system over a multi-year program on a company-wide basis. During the three months ended June 30, 2010, we implemented several significant ERP modules including modules associated with financial reporting, inventory costing and invoicing. The implementation of the ERP modules represents a change in our internal control over financial reporting. During the three months ended September 30, 2010, we continued to monitor and assess our internal controls in the new ERP system environment and have taken additional steps to modify and enhance the design and effectiveness of our internal control over financial reporting. We will continue to evaluate the design and operating effectiveness of our internal control over financial reporting and procedures and will complete our evaluation and testing of the internal control changes as of December 31, 2010.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Information about legal proceedings is set forth in Note 15 to the Consolidated Financial Statements included in this Quarterly Report.

Item 1A. *Risk Factors*

The factors discussed below are cautionary statements that identify important factors and risks that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this report. For more information regarding the forward-looking statements contained in this report, see the introductory paragraph to Part I, Item 2 of this Quarterly Report. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing Amkor. Additional risks and uncertainties not presently known to us also may impair our business operations. The occurrence of any of the following risks could affect our business, liquidity, results of operations, financial condition or cash flows.

Dependence on the Highly Cyclical Semiconductor and Electronic Products Industries — We Operate in Volatile Industries and Industry Downturns and Declines in Global Economic and Financial Conditions Could Harm Our Performance.

Our business is impacted by market conditions in the semiconductor industry, which is cyclical by nature and impacted by broad economic factors, such as world-wide gross domestic product and consumer spending. The semiconductor industry has experienced significant and sometimes prolonged downturns in the past. For example, the recent financial crisis and global recession resulted in a downturn in the semiconductor industry that adversely affected our business and results of operations in late 2008 and in 2009.

Since our business is, and will continue to be, dependent on the requirements of semiconductor companies for subcontracted packaging and test services, any downturn in the semiconductor industry or any other industry that uses a significant number of semiconductor devices, such as consumer electronic products, telecommunication devices, or computing devices, could have a material adverse effect on our business and operating results. It is difficult to predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, which, in turn, makes it more challenging for us to forecast our operating results, make business decisions, and identify risks that may affect our business, sources and uses of cash, financial condition and results of operations. Additionally, if industry conditions deteriorate, we could suffer significant losses, as we have in the past, which could materially impact our business, liquidity, results of operations, financial condition and cash flows.

Fluctuations in Operating Results and Cash Flows — Our Operating Results and Cash Flows Have Varied and May Vary Significantly as a Result of Factors That We Cannot Control.

Many factors, including the impact of adverse economic conditions, could have a material adverse effect on our net sales, gross profit, operating results and cash flows, or lead to significant variability of quarterly or annual operating results. Our profitability and ability to generate cash from operations is principally dependent upon demand for semiconductors, the utilization of our capacity, semiconductor package mix, the average selling price of our services, our ability to manage our capital expenditures in response to market conditions and our ability to control our costs including labor, material, overhead and financing costs. The recent downturn in demand for semiconductors in late 2008 and in 2009 resulted in significant declines in our operating results and cash flows as capacity utilization declined.

Our operating results and cash flows have varied significantly from period to period. Our net sales, gross margins, operating income and cash flows have historically fluctuated significantly as a result of many of the following factors, over which we have little or no control and which we expect to continue to impact our business:

- fluctuation in demand for semiconductors and conditions in the semiconductor industry;
- changes in our capacity utilization rates;
- changes in average selling prices;
- changes in the mix of semiconductor packages;
- evolving package and test technology;
- absence of backlog and the short-term nature of our customers' commitments and the impact of these factors on the timing and volume of orders relative to our production capacity;
- changes in costs, availability and delivery times of raw materials and components;
- changes in labor costs to perform our services;
- wage and commodity price inflation, including precious metals;
- the timing of expenditures in anticipation of future orders;
- changes in effective tax rates;
- the availability and cost of financing;
- intellectual property transactions and disputes;
- high leverage and restrictive covenants;
- warranty and product liability claims and the impact of quality excursions and customer disputes and returns;
- costs associated with litigation judgments, indemnification claims and settlements;
- international events, political instability, civil disturbances or environmental or natural events, such as earthquakes, that impact our operations;
- pandemic illnesses that may impact our labor force and our ability to travel;

- difficulties integrating acquisitions and the failure of our joint ventures to operate in accordance with business plans;
- our ability to attract and retain qualified employees to support our global operations;
- loss of key personnel or the shortage of available skilled workers;
- fluctuations in foreign exchange rates;
- delay, rescheduling and cancellation of large orders; and
- fluctuations in our manufacturing yields.

It is often difficult to predict the impact of these factors upon our results for a particular period. The downturn in the global economy and the semiconductor industry increased the risks associated with the foregoing factors as customer forecasts became more volatile, and there was less visibility regarding future demand and significantly increased uncertainty regarding the economy, credit markets, and consumer demand. These factors may have a material and adverse effect on our business, liquidity, results of operations, financial condition and cash flows, or lead to significant variability of quarterly or annual operating results. In addition, these factors may adversely affect our credit ratings which could make it more difficult and expensive for us to raise capital and could adversely affect the price of our securities.

High Fixed Costs — Due to Our High Percentage of Fixed Costs, We Will Be Unable to Maintain Our Gross Margin at Past Levels if We Are Unable to Achieve Relatively High Capacity Utilization Rates.

Our operations are characterized by relatively high fixed costs. Our profitability depends in part not only on pricing levels for our packaging and test services, but also on the utilization of our human resources and packaging and test equipment. In particular, increases or decreases in our capacity utilization can significantly affect gross margins since the unit cost of packaging and test services generally decreases as fixed costs are allocated over a larger number of units. In periods of low demand, we experience relatively low capacity utilization in our operations, which lead to reduced margins during that period. For example, we experienced lower than optimum utilization in the three months ended December 31, 2008 and the first half of 2009 due to a decline in world-wide demand for our packaging and test services which impacted our gross margin. Although our capacity utilization at times has been strong, we cannot assure you that we will be able to achieve consistently high capacity utilization, and if we fail to do so, our gross margins may decrease. If our gross margins decrease, our business, liquidity, results of operations, financial condition and cash flows could be materially and adversely affected.

In addition, our fixed operating costs have increased in recent years in part as a result of our efforts to expand our capacity through significant capital additions. Forecasted customer demand for which we have made capital investments may not materialize, especially if industry conditions deteriorate. As a result, our sales may not adequately cover our substantial fixed costs resulting in reduced profit levels or causing significant losses, both of which may adversely impact our liquidity, results of operations, financial condition and cash flows.

Guidance — Our Failure to Meet Our Guidance or Analyst Projections Could Adversely Impact the Trading Prices of Our Securities.

We periodically provide guidance to investors with respect to certain financial information for future periods. Securities analysts also periodically publish their own projections with respect to our future operating results. As discussed above under “Fluctuations in Operating Results and Cash Flows — Our Operating Results and Cash Flows Have Varied and May Vary Significantly as a Result of Factors That We Cannot Control,” our operating results and cash flows vary significantly and are difficult to accurately predict. Volatility in customer forecasts and reduced visibility caused by economic uncertainty and fluctuations in global consumer demand make it particularly difficult to predict future results. To the extent we fail to meet or exceed our own guidance or the analyst projections for any reason, the trading prices of our securities may be adversely impacted. Moreover, even if we do meet or exceed that guidance or those projections, the analysts and investors may not react favorably, and the trading prices of our securities may be adversely impacted.

Declining Average Selling Prices — The Semiconductor Industry Places Downward Pressure on the Prices of Our Packaging and Test Services.

Prices for packaging and test services have generally declined over time. Historically, we have been able to partially offset the effect of price declines by successfully developing and marketing new packages with higher prices, such as advanced leadframe and laminate packages, by negotiating lower prices with our material vendors, recovering material cost increases from our customers, and by driving engineering and technological changes in our packaging and test processes which resulted in reduced manufacturing costs. We expect general downward pressure on average selling prices for our packaging and test services in the future. If we are unable to offset a decline in average selling prices, by developing and marketing new packages with higher prices, reducing our purchasing costs, recovering more of our material cost increases from our customers and reducing our manufacturing costs, our business, liquidity, results of operations, financial condition and cash flows could be materially adversely affected.

Decisions by Our Integrated Device Manufacturer Customers to Curtail Outsourcing May Adversely Affect Our Business.

Historically, we have been dependent on the trend in outsourcing of packaging and test services by integrated device manufacturers, or IDMs. Our IDM customers continually evaluate the outsourced services against their own in-house packaging and test services. As a result, at any time and for a variety of reasons, IDMs may decide to shift some or all of their outsourced packaging and test services to internally sourced capacity.

The reasons IDMs may shift their internal capacity include:

- their desire to realize higher utilization of their existing test and packaging capacity, especially during downturns in the semiconductor industry;
- their unwillingness to disclose proprietary technology;
- their possession of more advanced packaging and test technologies; and
- the guaranteed availability of their own packaging and test capacity.

Furthermore, to the extent we limit capacity commitments for certain customers, these customers may begin to increase their level of in-house packaging and test capabilities, which could adversely impact our sales and profitability and make it more difficult for us to regain their business when we have available capacity. Any shift or a slowdown in this trend of outsourcing packaging and test services is likely to adversely affect our business, liquidity, results of operations, financial condition and cash flows.

In a downturn in the semiconductor industry, IDMs could respond by shifting some outsourced packaging and test services to internally serviced capacity on a short term basis. If we experience a significant loss of IDM business, it could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows especially during a prolonged industry downturn.

Our Substantial Indebtedness Could Adversely Affect Our Financial Condition and Prevent Us from Fulfilling Our Obligations.

We have a significant amount of indebtedness. As of September 30, 2010, our total debt balance was $1,380.0 million, of which $144.9 million was classified as a current liability. In addition, despite current debt levels, the terms of the indentures governing our indebtedness allow us or our subsidiaries to incur more debt, subject to certain limitations. If new debt is added to our consolidated debt level, the related risks that we now face could intensify.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including our obligations under our indentures to purchase notes tendered as a result of a change in control of Amkor;
- increase our vulnerability to general adverse economic and industry conditions;

- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to service payments on our debt;
- increase the volatility of the price of our common stock;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

We May Have Difficulty Funding Liquidity Needs

We operate in a capital intensive industry. Servicing our current and future customers requires that we incur significant operating expenses and continue to make significant capital expenditures, which are generally made in advance of the related revenues and without any firm customer commitments. During the nine months ended September 30, 2010, we had capital additions of $402.4 million and for the full year 2010, we currently expect to make capital additions of approximately $480 million.

In addition, we have a significant level of debt, with $1,380.0 million outstanding at September 30, 2010, $144.9 million of which is current. The terms of such debt require significant scheduled principal payments in the coming years, including $19.6 million due in the fourth quarter of 2010, $148.6 million due in 2011, $81.4 million due in 2012, $235.4 million due in 2013, $281.0 million due in 2014 and $614.0 million due thereafter. The interest payments required on our debt are also substantial. For example, in 2009, we paid $116.2 million of interest. The sources funding our operations, including making capital expenditures and servicing principal and interest obligations with respect to our debt, are cash flows from our operations, current cash and cash equivalents, borrowings under available debt facilities, or proceeds from any additional debt or equity financing. As of September 30, 2010, we had cash and cash equivalents of $417.5 million and availability of $99.5 million under our $100.0 million senior secured revolving credit facility which matures in April 2015.

We assess our liquidity based on our current expectations regarding sales, operating expenses, capital spending and debt service requirements. Based on this assessment, we believe that our cash flow from operating activities together with existing cash and cash equivalents will be sufficient to fund our working capital, capital expenditure and debt service requirements for at least the next twelve months. Thereafter, our liquidity will continue to be affected by, among other things, the performance of our business, our capital expenditure levels and our ability to repay debt out of our operating cash flow or refinance the debt with the proceeds of debt or equity offerings at or prior to maturity. Moreover, the health of the worldwide banking system and financial markets affects the liquidity in the global economic environment. Volatility in fixed income, credit and equity markets could make it difficult for us to maintain our existing credit facilities or refinance our debt. If our performance or access to the capital markets differs materially from our expectations, our liquidity may be adversely impacted.

In addition, if we fail to generate the necessary net income or operating cash flows to meet the funding needs of our business beyond the next twelve months due to a variety of factors, including the cyclical nature of the semiconductor industry and the other factors discussed in this “Risk Factors” section, our liquidity would be adversely affected.

Our Ability To Draw On Our Current Loan Facilities May Be Adversely Affected by Conditions in the U.S. and International Capital Markets.

If financial institutions that have extended credit commitments to us are adversely affected by the conditions of the U.S. and international capital and credit markets, they may be unable to fund borrowings under their credit commitments to us. For example, we currently have a $100.0 million revolving credit facility with three banks in the U.S. If any of these banks are adversely affected by capital and credit market conditions and are unable to make loans to us when requested, there could be a corresponding adverse impact on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

Restrictive Covenants in the Indentures and Agreements Governing Our Current and Future Indebtedness Could Restrict Our Operating Flexibility.

The indentures and agreements governing our existing debt, and debt we may incur in the future, contain, or may contain, affirmative and negative covenants that materially limit our ability to take certain actions, including our ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and encumber and dispose of assets. The $671.1 million write-off of our goodwill at December 31, 2008 significantly reduced our ability to pay dividends and repurchase stock and subordinated securities, including our convertible notes, due to defined calculations which include net income. In addition, our future debt agreements may contain financial covenants and ratios.

The breach of any of these covenants by us or the failure by us to meet any of these financial ratios or conditions could result in a default under any or all of such indebtedness. If a default occurs under any such indebtedness, all of the outstanding obligations thereunder could become immediately due and payable, which could result in a default under our other outstanding debt and could lead to an acceleration of obligations related to other outstanding debt. The existence of such a default or event of default could also preclude us from borrowing funds under our revolving credit facilities. Our ability to comply with the provisions of the indentures, credit facilities and other agreements governing our outstanding debt and indebtedness we may incur in the future can be affected by events beyond our control and a default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We Have Significant Severance Plan Obligations Associated With Our Manufacturing Operations in Korea Which Could Reduce Our Cash Flow and Negatively Impact Our Financial Condition.

We sponsor an accrued severance plan for our Korean subsidiary, under which we have an accrued liability of $84.3 million as of September 30, 2010. Under the Korean plan, eligible employees are entitled to receive a lump sum payment upon termination of their service based on their length of service, seniority and rate of pay at the time of termination. Since our severance plan obligation is significant, in the event of a significant layoff or other reduction in our labor force in Korea, payments under the plan could have a material adverse effect on our liquidity, financial condition and cash flows. In addition, existing tax laws in Korea limit our ability to currently deduct severance expenses associated with the current plan. These limitations are designed to encourage companies to migrate to a defined contribution or defined benefit plan. If we adopt a new plan retrospectively, we would be required to significantly fund the existing liability, which could have a material adverse effect on our liquidity, financial condition and cash flows. If we do not adopt a new plan, we will have to pay higher taxes which could adversely affect our liquidity, financial condition and cash flows. See Note 13 to our Consolidated Financial Statements included in this Quarterly Report.

If We Fail to Maintain an Effective System of Internal Controls, We May Not be Able to Accurately Report Financial Results or Prevent Fraud.

Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We must annually evaluate our internal procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires management and our independent registered public accounting firm to assess the effectiveness of internal control over financial reporting. If we fail to remedy any deficiencies or maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation.

In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our operating results or financial condition.

During 2010, we implemented several significant enterprise resource planning ("ERP") modules which represent a change in our internal control over financial reporting. Although we continue to monitor and assess our internal controls in the new ERP system environment and have taken additional steps to modify and enhance the design and effectiveness of our internal control over financial reporting, there is a risk that deficiencies exist that could constitute significant deficiencies or in the aggregate a material weakness. We will continue to evaluate the design and operating effectiveness of our internal controls over financial reporting and procedures during subsequent periods and we will complete our evaluation and testing of the internal control changes as of December 31, 2010.

We face Product Return and Liability Risks, the Risk of Economic Damage Claims and the Risk of Negative Publicity if Our Packages Fail.

Our packages are incorporated into a number of end products, and our business is exposed to product return and liability risks, the risk of economic damage claims and the risk of negative publicity if our packages fail.

In addition, we are exposed to the product and economic liability risks and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our packages are delivered with impurities or defects, we could incur additional development, repair or replacement costs, suffer other economic losses and our credibility and the market's acceptance of our packages could be harmed.

Absence of Backlog — The Lack of Contractually Committed Customer Demand May Adversely Affect Our Sales.

Our packaging and test business does not typically operate with any material backlog. Our quarterly net sales from packaging and test services are substantially dependent upon our customers' demand in that quarter. None of our customers have committed to purchase any significant amount of packaging or test services or to provide us with binding forecasts of demand for packaging and test services for any future period, in any material amount. In addition, our customers often reduce, cancel or delay their purchases of packaging and test services for a variety of reasons including industry-wide, customer-specific and Amkor-related reasons. Since a large portion of our costs is fixed and our expense levels are based in part on our expectations of future revenues, we may not be able to adjust costs in a timely manner to compensate for any sales shortfall. If we are unable to do so, it would adversely affect our margins, operating results, financial condition and cash flows. If the decline in customer demand continues, our business, liquidity, results of operations, financial condition and cash flows will be materially and adversely affected.

Risks Associated With International Operations — We Depend on Our Factories and Operations in China, Japan, Korea, the Philippines, Singapore and Taiwan. Many of Our Customers' and Vendors' Operations Are Also Located Outside of the U.S.

We provide packaging and test services through our factories and other operations located in China, Japan, Korea, the Philippines, Singapore and Taiwan. Substantially all of our property, plant and equipment is located outside of the United States. Moreover, many of our customers' and vendors' operations are located outside the U.S. The following are some of the risks we face in doing business internationally:

- changes in consumer demand resulting from deteriorating conditions in local economies;
- regulatory limitations imposed by foreign governments, including limitations or taxes imposed on the payment of dividends and other payments by non-U.S. subsidiaries;
- fluctuations in currency exchange rates;
- political, military, civil unrest and terrorist risks, particularly an increase in tensions between South Korea and North Korea;
- disruptions or delays in shipments caused by customs brokers or government agencies;
- changes in regulatory requirements, tariffs, customs, duties and other restrictive trade barriers or policies;

- difficulties in staffing, retention and employee turnover and managing foreign operations, including foreign labor disruptions; and
- potentially adverse tax consequences resulting from changes in tax laws in the foreign jurisdictions in which we operate.

Changes in the U.S. Tax Law Regarding Earnings Of Our Subsidiaries Located Outside the U.S. Could Materially Affect Our Future Results.

There have been proposals to change U.S. tax laws that would significantly impact how U.S. corporations are taxed on foreign earnings. We earn a substantial portion of our income in foreign countries. Although we cannot predict whether or in what form this proposed legislation will pass, if enacted it could have a material adverse impact on our liquidity, results of operations, financial condition and cash flows.

Our Management Information Systems May Prove Inadequate — We face Risks in Connection With Our Current Project to Install a New Enterprise Resource Planning System For Our Business.

We depend on our management information systems for many aspects of our business. Some of our key software has been developed by our own programmers, and this software may not be easily integrated with other software and systems. We are making a significant investment to implement a new enterprise resource planning system to replace many of our existing systems. We face risks in connection with our current project to install a new enterprise resource system for our business. These risks include:

- we may face delays in the design and implementation of the system;
- the cost of the system may exceed our plans and expectations; and
- disruptions resulting from the implementation of the system may impact our ability to process transactions and delay shipments to customers, impact our results of operations or financial condition, or harm our control environment.

Our business could be materially and adversely affected if our management information systems are disrupted or if we are unable to improve, upgrade, integrate or expand upon our systems, particularly in light of our intention to continue to implement a new enterprise resource planning system over a multi-year program on a company-wide basis.

We face Risks Trying to Attract and Retain Qualified Employees to Support Our Operations.

Our success depends to a significant extent upon the continued service of our key senior management and technical personnel, any of whom may be difficult to replace. Competition for qualified employees is intense, and our business could be adversely affected by the loss of the services of any of our existing key personnel, including senior management, as a result of competition or for any other reason. We evaluate our management team and engage in long-term succession planning in order to ensure orderly replacement of key personnel. We do not have employment agreements with our key employees, including senior management or other contracts that would prevent our key employees from working for our competitors in the event they cease working for us. We cannot assure you that we will be successful in our efforts to retain key employees or in hiring and properly training sufficient numbers of qualified personnel and in effectively managing our growth. Our inability to attract, retain, motivate and train qualified new personnel could have a material adverse effect on our business.

Difficulties Consolidating and Evolving Our Operational Capabilities — We face Challenges as We Integrate Diverse Operations.

We have experienced, and expect to continue to experience, change in the scope and complexity of our operations primarily through facility consolidations, strategic acquisitions, joint ventures and other partnering arrangements and may continue to engage in such transactions in the future. For example, each business we have acquired had, at the time of acquisition, multiple systems for managing its own production, sales, inventory and other operations. Migrating these businesses to our systems typically is a slow, expensive process requiring us to divert significant amounts of resources from multiple aspects of our operations. These changes have strained our managerial, financial, plant operations and other resources. Future consolidations and expansions may result in inefficiencies as we integrate operations and manage geographically diverse operations.

Dependence on Materials and Equipment Suppliers — Our Business May Suffer If the Cost, Quality or Supply of Materials or Equipment Changes Adversely.

We obtain from various vendors the materials and equipment required for the packaging and test services performed by our factories. We source most of our materials, including critical materials such as leadframes, laminate substrates and gold wire, from a limited group of suppliers. Furthermore, we purchase the majority of our materials on a purchase order basis. From time to time, we enter into supply agreements, generally up to one year in duration, to guarantee supply to meet projected demand. Our business may be harmed if we cannot obtain materials and other supplies from our vendors in a timely manner, in sufficient quantities, in acceptable quality or at competitive prices.

We purchase new packaging and test equipment to maintain and expand our operations. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by equipment vendors. For example, in the past, increased demand for equipment caused some equipment suppliers to only partially satisfy our equipment orders in the normal time frame or to increase prices during market upturns for the semiconductor industry. The unavailability of equipment or failures to deliver equipment could delay or impair our ability to meet customer orders. If we are unable to meet customer orders, we could lose potential and existing customers. Generally, we do not enter into binding, long-term equipment purchase agreements and we acquire our equipment on a purchase order basis, which exposes us to substantial risks. For example, changes in foreign currency exchange rates could result in increased prices for equipment purchased by us, which could have a material adverse effect on our results of operations.

We are a large buyer of gold and other commodity materials including substrates and copper. The prices of gold and other commodities used in our business fluctuate. Historically, we have been able to partially offset the effect of commodity price increases through price adjustments to some customers and changes in our product designs, such as shorter, thinner, gold wire and migration to copper wire. However, we typically do not have long-term contracts that permit us to impose a price adjustment, and market conditions may limit our ability to do so. Significant price increases may adversely impact our gross margin in future quarters to the extent we are unable to pass along past or future commodity price increases to our customers.

Loss of Customers — The Loss of Certain Customers May Have a Significant Adverse Effect on Our Operations and Financial Results.

The loss of a large customer or disruption of our strategic partnerships or other commercial arrangements may result in a decline in our sales and profitability. Although we have approximately 250 customers, we have derived and expect to continue to derive a large portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our ten largest customers together accounted for approximately 53.8%, 53.4% and 49.8% of our net sales in the nine months ended September 30, 2010 and the years ended December 31, 2009, and 2008, respectively. No customer accounted for greater than 10% of our sales for the nine months ended September 30, 2010 and the year ended December 31, 2008. A single customer accounted for more than 10% of our sales during the year ended December 31, 2009.

The demand for our services from each customer is directly dependent upon that customer's level of business activity, which could vary significantly from year to year. The loss of a large customer may adversely affect our sales and profitability. Our key customers typically operate in the cyclical semiconductor business and, in the past, order levels have varied significantly from period to period based on a number of factors. Our business is likely to remain subject to this variability in order levels, and we cannot assure you that these key customers or any other customers will continue to place orders with us in the future at the same levels as in past periods.

The loss of one or more of our significant customers, or reduced orders by any one of them and our inability to replace these customers or make up for such orders could reduce our profitability. For example, our facility in Iwate, Japan, is primarily dedicated to a single customer, Toshiba Corporation. We have also invested in an unconsolidated affiliate, J-Devices Corporation, for which Toshiba is the primary customer. If we were to lose Toshiba as a customer or if it were to materially reduce its business with us, it could be difficult for us to find one or more new customers to utilize the capacity, which could have a material adverse effect on our operations and financial results. In addition, we have a long term supply agreement that expires in December 2013 with International Business Machines, or IBM. If we were to lose IBM as a customer, this could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

Capital Additions — We Make Substantial Capital Additions To Support the Demand Of Our Customers, Which May Adversely Affect Our Business If the Demand Of Our Customers Does Not Develop As We Expect or Is Adversely Affected.

We make significant capital additions in order to service the demand of our customers. The amount of capital additions depends on several factors, including the performance of our business, our assessment of future industry and customer demand, our capacity utilization levels and availability, our liquidity position and the availability of financing. Our ongoing capital addition requirements may strain our cash and short-term asset balances, and, in periods when we are expanding our capital base, we expect that depreciation expense and factory operating expenses associated with our capital additions to increase production capacity will put downward pressure on our gross margin, at least over the near term.

Furthermore, if we cannot generate or raise additional funds to pay for capital additions, particularly in some of the advanced packaging and bumping areas, as well as research and development activities, our growth prospects and future profitability may be adversely affected. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by semiconductor companies;
- volatility in fixed income, credit and equity markets; and
- economic, political and other global conditions.

The lead time needed to order, install and put into service various capital additions is often significant, and, as a result, we often need to commit to capital additions in advance of our receipt of firm orders or advance deposits based on our view of anticipated future demand with only very limited visibility. Although we seek to limit our exposure in this regard, in the past we have from time to time expended significant capital for additions for which the anticipated demand did not materialize for a variety of reasons, many of which were outside of our control. To the extent this occurs in the future, our business, liquidity, results of operations, financial condition and cash flows could be materially and adversely affected.

In addition, during periods where customer demand exceeds our capacity, customers may transfer some or all of their business to other suppliers who are able to support their needs. To the extent this occurs, our business, liquidity, results of operations, financial condition and cash flows could be materially and adversely affected.

Impairment Charges — Any Impairment Charges Required Under U.S. GAAP May Have a Material Adverse Effect on Our Net Income.

Under U.S. GAAP, we review our long-lived assets including property, plant and equipment, intellectual property, and other intangibles for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider include significant under-performance relative to expected historical or projected future operating results, significant negative industry or economic trends and our market capitalization relative to net book value. We may be required in the future to record a significant charge to earnings in our financial statements during the period in which any impairment of our long-lived assets is determined. Such charges have had and could have a significant adverse impact on our results of operations and our operating flexibility under our debt covenants.

Litigation Incident to Our Business Could Adversely Affect Us.

We have been a party to various legal proceedings, including those described in Note 15 to the Consolidated Financial Statements included in this Quarterly Report, and may be a party to litigation in the future. If an unfavorable ruling or outcome were to occur in this or future litigation, there could be a material adverse impact on our business, liquidity, results of operations, financial condition, cash flows and the trading price of our securities.

We Could Suffer Adverse Tax and Other Financial Consequences if Taxing Authorities Do Not Agree with Our Interpretation of Applicable Tax Laws.

Our corporate structure and operations are based, in part, on interpretations of various tax laws, including withholding tax, compliance with tax holiday requirements, application of changes in tax law to our operations and other relevant laws of applicable taxing jurisdictions. From time to time, the taxing authorities of the relevant jurisdictions may conduct examinations of our income tax returns and other regulatory filings. We cannot assure you that the taxing authorities will agree with our interpretations. To the extent they do not agree, we may seek to enter into settlements with the taxing authorities which require significant payments or otherwise adversely affect our results of operations or financial condition. We may also appeal the taxing authorities' determinations to the appropriate governmental authorities, but we cannot be sure we will prevail. If we do not prevail, we may have to make significant payments or otherwise record charges (or reduce tax assets) that adversely affect our results of operations, financial condition and cash flows.

Intellectual Property — Our Business Will Suffer if We Are Not Able to Develop New Proprietary Technology, Protect Our Proprietary Technology and Operate Without Infringing the Proprietary Rights of Others.

The complexity and breadth of semiconductor packaging and test services are rapidly increasing. As a result, we expect that we will need to develop, acquire and implement new manufacturing processes and package design technologies and tools in order to respond to competitive industry conditions and customer requirements. Technological advances also typically lead to rapid and significant price erosion and may make our existing packages less competitive or our existing inventories obsolete. If we cannot achieve advances in package design or obtain access to advanced package designs developed by others, our business could suffer.

The need to develop and maintain advanced packaging capabilities and equipment could require significant research and development and capital expenditures and acquisitions in future years. In addition, converting to new package designs or process methodologies could result in delays in producing new package types, which could adversely affect our ability to meet customer orders and adversely impact our business.

We maintain an active program to protect and derive value from our investment in technology and the associated intellectual property rights. Intellectual property rights that apply to our various packages and services include patents, copyrights, trade secrets and trademarks. We have filed for and have obtained a number of patents in the U.S. and abroad the duration of which varies depending on the jurisdiction in which the patent was filed. While our patents are an important element of our intellectual property strategy, as a whole, we are not materially dependent on any one patent or any one technology. The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents are issued, the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Any patents we do obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. There can be no assurance that other countries in which we market our services will protect our intellectual property rights to the same extent as the U.S.

Our competitors may develop, patent or gain access to know-how and technology similar to our own. In addition, many of our patents are subject to cross licenses, several of which are with our competitors.

The semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. If any third party makes an enforceable infringement claim against us or our customers, we could be required to:

- discontinue the use of certain processes;
- cease to provide the services at issue;
- pay substantial damages;
- develop non-infringing technologies; or
- acquire licenses to the technology we had allegedly infringed.

We may need to enforce our patents or other intellectual property rights, including our rights under patent and intellectual property licenses with third parties, or defend ourselves against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources. Furthermore, if we fail to obtain necessary licenses, our business could suffer. We have been involved in legal proceedings involving the acquisition and license of intellectual property rights, the enforcement of our existing intellectual property rights or the enforcement of the intellectual property rights of others, including the arbitration proceeding filed against Tessera, Inc. and complaint filed and ongoing proceeding against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc., or collectively "Carsem", both of which are described in more detail in Note 15 to the Consolidated Financial Statements. Unfavorable outcomes in any litigation matters involving intellectual property could result in significant liabilities and could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows. The potential impact from the legal proceedings referred to in this Quarterly Report on our results of operations, financial condition and cash flows could change in the future.

Packaging and Test — Packaging and Test Processes Are Complex and Our Production Yields and Customer Relationships May Suffer from Defects in the Services We Provide.

Semiconductor packaging and test services are complex processes that require significant technological and process expertise. The packaging process is complex and involves a number of precise steps. Defective packages primarily result from:

- contaminants in the manufacturing environment;
- human error;
- equipment malfunction;
- changing processes to address environmental requirements;
- defective raw materials; or
- defective plating services.

Testing is also complex and involves sophisticated equipment and software. Similar to most software programs, these software programs are complex and may contain programming errors or "bugs." The testing equipment is also subject to malfunction. In addition, the testing process is subject to operator error.

These and other factors have, from time to time, contributed to lower production yields. They may also do so in the future, particularly as we adjust our capacity or change our processing steps. In addition, we must continue to expand our offering of packages to be competitive. Our production yields on new packages typically are significantly lower than our production yields on our more established packages.

Our failure to maintain high standards or acceptable production yields, if significant and prolonged, could result in loss of customers, increased costs of production, delays, substantial amounts of returned goods and claims by customers relating thereto. Any of these problems could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

In addition, in line with industry practice, new customers usually require us to pass a lengthy and rigorous qualification process that may take several months. If we fail to qualify packages with potential customers or customers, our business, results of operations, financial condition and cash flows could be adversely affected.

Competition — We Compete Against Established Competitors in the Packaging and Test Business as Well as Internal Customer Capabilities.

The subcontracted semiconductor packaging and test market is very competitive. We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant processing capacity, financial resources, research and development operations, marketing and other capabilities. These companies also have established relationships with many large semiconductor companies that are our current or potential customers. We also face competition from the internal capabilities and capacity of many of our current and potential IDM customers. In addition, we may in the future have to compete with companies (including semiconductor foundries) that may enter the market or offer new or emerging technologies that compete with our packages and services.

We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors or that our customers will not rely on internal sources for packaging and test services, or that our business, liquidity, results of operations, financial condition and cash flows will not be adversely affected by such increased competition.

Environmental Regulations — Future Environmental Regulations Could Place Additional Burdens on Our Manufacturing Operations.

The semiconductor packaging process uses chemicals, materials and gases and generates byproducts that are subject to extensive governmental regulations. For example, at our foreign facilities we produce liquid waste when semiconductor wafers are diced into chips with the aid of diamond saws, then cooled with running water. In addition, semiconductor packages have historically utilized metallic alloys containing lead (Pb) within the interconnect terminals typically referred to as leads, pins or balls. Federal, state and local laws and regulations in the U.S., as well as environmental laws and regulations in foreign jurisdictions, impose various controls on the storage, handling, discharge and disposal of chemicals used in our production processes and on the factories we occupy and are increasingly imposing restrictions on the materials contained in semiconductor products. We may become liable under environmental laws for the cost of clean up of any disposal or release of hazardous materials arising out of our former or current operations, or otherwise as a result of the existence of hazardous materials on our properties. In such an event, we could be held liable for damages, including fines, penalties and the cost of investigations and remedial actions, and could also be subject to revocation of permits negatively affecting our operations.

Public attention has focused on the environmental impact of semiconductor operations and the risk to neighbors of chemical releases from such operations and to the materials contained in semiconductor products. For example, the European Union’s Restriction of Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive imposes strict restrictions on the use of lead and other hazardous substances in electrical and electronic equipment. In response to this directive, and similar laws and developing legislation in countries like China, Japan and Korea, we have implemented changes in a number of our manufacturing processes in an effort to achieve compliance across all of our package types. Complying with existing and possible future environmental laws and regulations, including laws and regulations relating to climate change, may impose upon us the need for additional capital equipment or other process requirements, restrict our ability to expand our operations, disrupt our operations, increase costs, subject us to liability or cause us to curtail our operations.

Fire, Flood or Other Calamity — With Our Operations Conducted in a Limited Number of Facilities, a Fire, Flood or Other Calamity at one of Our Facilities Could Adversely Affect Us.

We conduct our packaging and test operations at a limited number of facilities. Significant damage or other impediments to any of these facilities, whether as a result of fire, weather, the outbreak of infectious diseases (such as SARs or flu), civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes could temporarily disrupt or even shut down our operations, which would have a material adverse effect on our business, financial condition and results of operations. In the event of such a disruption or shutdown, we may be unable to reallocate production to other facilities in a timely or cost-effective manner (if at all) and may not have sufficient capacity to service customer demands in our other facilities. For example, our operations in Asia are vulnerable to regional typhoons that can bring with them destructive winds and torrential rains, which could in turn cause plant closures and transportation interruptions. In addition, some of the processes that we utilize in our operations place us at risk of fire and other damage. For example, highly flammable gases are used in the preparation of wafers holding semiconductor devices for flip chip packaging. While we maintain insurance policies for various types of property, casualty and other risks, we do not carry insurance for all the above referred risks and with regard to the insurance we do maintain, we cannot assure you that it would be sufficient to cover all of our potential losses.

Continued Control By Existing Stockholders — Mr. James J. Kim and Members of His Family Can Substantially Control The Outcome of All Matters Requiring Stockholder Approval.

As of September 30, 2010, Mr. James J. Kim, our Executive Chairman of the Board of Directors, members of Mr. Kim's immediate family and affiliates beneficially owned approximately 56% of our outstanding common stock. This percentage includes beneficial ownership of the securities underlying $100 million of our 6.25% Convertible Subordinated Notes due 2013 and $150 million of our 6.0% Convertible Senior Subordinated Notes due 2014. Subject to certain requirements imposed by voting agreements that the Kim family vote in a neutral manner any shares issued upon conversion of their convertible notes, Mr. James J. Kim and his family and affiliates, acting together, have the ability to effectively determine matters (other than interested party transactions) submitted for approval by our stockholders by voting their shares, including the election of all of the members of our Board of Directors. There is also the potential, through the election of members of our Board of Directors, that Mr. Kim's family could substantially influence matters decided upon by the Board of Directors. This concentration of ownership may also have the effect of impeding a merger, consolidation, takeover or other business consolidation involving us, or discouraging a potential acquirer from making a tender offer for our shares, and could also negatively affect our stock's market price or decrease any premium over market price that an acquirer might otherwise pay.

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

(c) Issuer Purchases of Equity Securities

The following table provides information about purchases we made during the quarter ended September 30, 2010 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1 — July 31, 2010	26,733	$ 5.99	—	—
August 1 — August 31, 2010	—	—	—	—
September 1 — September 31, 2010	1,073	$ 5.62	—	—
Total	27,806	$ 5.98	—	—

(a) This column represents the surrender to us of 27,806 shares of common stock to satisfy tax withholding obligations associated with the vesting of restricted stock issued to employees.

Item 6. *Exhibits*

The exhibits required by Item 601 of Regulation S-K which are filed with this report are set forth in the Exhibit Index.

SIGNATURES

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

AMKOR TECHNOLOGY, INC.

By: /s/ JOANNE SOLOMON

Joanne Solomon
Executive Vice President and Chief Financial Officer
(Principal Financial Officer, Chief Accounting Officer and Duly Authorized Officer)

Date: November 8, 2010

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	First Amendment to Amended and Restated Loan and Security Agreement, dated as of September 10, 2010, among Amkor Technology, Inc., its subsidiaries from time to time party thereto, the lending institutions from time to time party thereto and Bank of America, N.A., as administrative agent. (1)
31.1	Certification of Kenneth T. Joyce, President and Chief Executive Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Joanne Solomon, Executive Vice President and Chief Financial Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed September 10, 2010.

* This information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Kenneth T. Joyce, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amkor Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
President and
Chief Executive Officer

November 8, 2010

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Joanne Solomon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amkor Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ JOANNE SOLOMON

Joanne Solomon
Executive Vice President and
Chief Financial Officer

November 8, 2010

Exhibit 32

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth T. Joyce, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
President and
Chief Executive Officer

November 8, 2010

In connection with the Quarterly Report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joanne Solomon, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOANNE SOLOMON

Joanne Solomon
Executive Vice President and
Chief Financial Officer

November 8, 2010